

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE (Wafa Insurance)

- Offering (10,500,000) Ten Million, Five Hundred Thousand common shares at (10) Ten Saudi Riyals per share through the issuance of Offer shares Right issue which are a raise in the Company's capital by (105,000,000) One Hundred Five Million Saudi Riyals, representing (105%) of the current capital.
- The Saudi Indian Company for Cooperative Insurance (Wafa Insurance) is a Saudi Public Joint stock Company established in the Kingdom of Saudi Arabia with Royal Decree No. M/60 dated 18/09/1427AH corresponding to (11/10/2006G), Commercial Registration No. (1010236705) dated (07/24/1428H) corresponding to (07/08/2007G) issued from Riyadh.

**The first offering period from Tuesday 25/06/1436H to Thursday (04/07/1436H) (corresponding to (from): 14/04/2015G to 23/04/2015G).**

**The second offering period from Sunday 07/07/1436H to Tuesday 09/07/1436H (corresponding to (from): 26/04/2015G to 28/04/2015G).**

The Saudi Indian Company for Cooperative Insurance ("Wafa" or the "Company") is a Saudi Public Joint stock Company established in the Kingdom of Saudi Arabia by with Royal Decree No. M/60 dated 18/09/1427 AH, Commercial Registration No. (1010236705) dated (07/24/1428H) corresponding to (07/08/2007G) issued from Riyadh. The current share capital of the Company is (100,000,000) One Hundred Million Saudi Riyals divided into (10,000,000) Ten Million common shares at a nominal value of (10) ten Saudi Riyals per share (shall be referred to individually as "current share" or jointly as "the current shares", All of which are fully paid up.

The Board of Directors recommended at its meeting held in Riyadh on 27/06/1435H (corresponding to 27/04/2014G) to increase the Company's capital from (100,000,000) one hundred million Saudi Riyals to (205,000,000) two hundred five million Saudi Riyals after obtaining the necessary regulatory approvals. On 19/06/1436H corresponding to (08/04/2015G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company's capital.

The subscription to the Offer shares ("Subscription") is carried out by offering (10,500,000) Ten Million, Five Hundred Thousand new common shares (hereinafter referred to as "new shares" or "Offer shares") at an offer price of SAR (10) per share "Offer price" at a nominal value of SAR (10) in order to increase the Company's capital from SAR (100,000,000) One Hundred Million to SAR (205,000,000) two hundred five million.

The Offer shares are negotiable securities (hereinafter referred to individually as "Offer Share" and collectively as "Offer Shares") to the shareholders in the register of the Company's shareholders as at the end of the Trading Period of the day of the Extraordinary General Assembly dated 19/06/1436H (corresponding to 08/04/2015G) ("Eligibility Date") (each referred to as the "registered shareholder" and jointly as "registered shareholders"). Such rights shall be deposited in the registered shareholders' portfolios within two days as of the Eligibility Date at (1.05) rights to each and every (1) share of the Company's shares. Each right grants its holder the right to subscribe to one new share at the offer price.

The registered shareholders and investors at large including institutions and individuals shall be able to trade in the Priority rights in the Saudi Stock Market ("Tadawul" or "the market") during the period from Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of trading on Thursday 04/07/1436H (corresponding to 23/04/2015G) ("Trading Period").

The Subscription for the New Shares will be in two phases:

- First Offering Period: From Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of trading on Thursday 04/07/1436H (corresponding to 23/04/2015G) ("the First Offering Period"). During which only Registered Shareholders may exercise their right to subscribe (in whole or in part) to the New Shares up to the number of Offer shares deposited in their portfolios after the Extraordinary Assembly Meeting. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and the public may trade in the Offer shares.
- Second Offering Period: From Sunday 07/07/1436H (corresponding to 26/04/2015G) until the end of Tuesday 09/07/1436H (corresponding to 28/04/2015G) ("the Second Offering

Period"), during which all holders of Rights Issue, whether registered shareholders or purchasers of Offer shares during the Trading Period (each of whom is referred to as "Eligible Persons" and each an "Eligible Person", may exercise their right to subscribe. No trading of Offer shares shall take place during this period.

Subscription Application Forms may be submitted in both the First and Second Periods at any of the branch of the Receiving Agents ("Receiving Agents") listed in page (ix) of this Prospectus.

In event that any Shares remain unsubscribed for ("Rump Shares") in the first and the second stages, they shall be offered at the offer price as minimum to a number of institutional investors (referred to herein as "investment institutions"), provided such investment institutions shall make offers to buy the Rump Shares. Such offers shall be received as of 10 am on Sunday 14/07/1436H (corresponding to 03/05/2015G) until 10 am of the following day on 15/07/1436H (corresponding to 04/05/2015G). This offering is referred to as ("Rump Offering"). The Rump Shares shall be allocated to institutional investors of the highest offer then the lesser then the lesser, provided that shares shall be allocated on pro rata basis to the investment institutions of equal offers. As for the fractional shares, they shall be added to the Rump Shares and shall be treated in the same manner. The total offer price of the Rump Shares shall be paid Rump Shares to the Company. The rest of the proceeds of selling the Rump Shares and the fractional shares shall be distributed to their beneficiaries pro rata their eligibility no later than (Wednesday 24/07/1436H) corresponding to (13/05/2015G).

In the event of shares which are not bought by institutional investors, they will be allocated to the underwriter who will buy them at the offer price (see section "subscription terms and instructions"). After the completion of the subscription process the capital of the Company will become (205,000,000) two hundred five million Saudi Riyals divided into (20,500,000) twenty million, five hundred thousand shares. The net subscription proceeds will be used for the Company's new projects and other related purposes (see section "using the subscription proceeds"). The final allocation process will be announced at no later than Wednesday 17/07/1436H (06/05/2015G) ("the allocation date") (see section "Subscription Terms and Instructions").

None of the shareholders shall hold a majority stake in the Company. No shareholders currently hold 5% or more of the Company's shares except for: The New India Assurance Co. Ltd which owns 10.6% of the shares, Life Insurance Corporation of India which owns 10.2% of the shares of the Company and finally LIC International which owns 10.2% of the shares as detailed in page (xi) of this prospectus. The full underwriting for this subscription is undertaken by FALCOM Financial Services (review the section of "Underwriting").

The Company issued (10,000,000) shares which are listed in the Saudi stock market including (6,900,000) shares freely traded on the Saudi Stock Market Tadawul as at the date of this Prospectus. All the said shares are common shares of equal value and confer equal rights upon their holders.

All the shares of the Company are common shares of the same class and no share shall grant its owner any preferential rights and the new shares will be fully paid and equal to the outstanding shares completely. Each share shall confer upon its owner the right to one vote. Each shareholder (shareholder) who owns at least (20) twenty shares shall be entitled to attend the meetings of the General Assembly of the shareholders ("the General Assembly") and vote in it. The new shares shall be entitled to any profits announced by the Company since the date of its issuance and for the financial years that follow it, if any (review "Risk Factors-Dividend Distribution, and Dividend Policy" Sections).

Currently, the outstanding shares are traded in Tadawul. The Company has submitted a request to the Saudi Capital Market Authority to register and agree to list the new shares on the Saudi Stock Market Tadawul and the prospectus was approved and all the requirements have been met. All the necessary official approvals required to offer the new shares were obtained. The new shares are expected to be traded in the market soon after the completion of the process of allocation of the new shares and refunds of the surplus (please review section "Key Dates for Subscribers"). Saudi nationals and legal residents of Saudi Arabia; GCC nationals; Saudi companies, banks and mutual funds and Gulf companies and institutions as well as non-Saudis residing outside the Kingdom and institutions registered outside the Kingdom of Saudi Arabia under swap agreements through a person authorized by CMA shall be allowed to trade in the new shares after listing and trading them in the market.

This prospectus and the "Important Notice" and "Risk Factors" sections herein should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

## Financial adviser, Lead Manager, and Underwriter



## Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") issued by the CMA in the Kingdom of Saudi Arabia. The Directors, whose names appear on page (v), jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and Tadawul take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

«This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts».

This Prospectus was issued on 19/06/1436H (08/04/2015G)

وفا للتأمين  
**Wafa** Insurance



## Important notice

This Prospectus provides detailed information on Saudi Indian Company for Cooperative Insurance (Wafa insurance) and the offered New Shares. When applying for the New Shares, Eligible Persons will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, lead manager and the branches of the Receiving Agents or by visiting the Saudi Arabian Capital Market Authority's (the "Authority" or "CMA") website: ([www.cma.org.sa](http://www.cma.org.sa)) and Financial Advisor's (the "Financial Advisor") website: [www.shc.com.sa](http://www.shc.com.sa).

The Company has appointed Falcom Financial Services as a financial advisor ("financial advisor") and lead manager ("lead manager") and underwriter (the "underwriter") in respect of offering Offer shares to increase the Company's capital.

This prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") of the CMA. The directors, whose names appear on page v, collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The Authority and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Directors, Founding Shareholders, Financial Advisor, or the Company's advisors, whose names appear on pages vii and viii of this Prospectus (the "Advisors"), have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economical and political factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The subscription for the registered shareholders and general investors including institutions and individuals shall be during the period as of Tuesday, 25/06/1436H (14/04/2015G), and continue until the end of trading on Thursday, 04/07/1436H (23/04/2015G). The subscription in the new shares will in two stages:

- A. The First Offering Period:** From Tuesday 25/06/1436H (corresponding 14/04/2015G) until the end of Thursday 04/07/1436H (corresponding 23/04/2015G) ("the First Offering Period"), during which only Registered Shareholders may exercise their right to subscribe (in whole or in part) in the new shares up to the number of Offer shares deposited in their portfolios after the Extraordinary Assembly Meeting. The subscription for the New Shares will be approved, subject to the number of Offer shares available in the relevant account at the end of the Trading Period. The first Offering period coincides with the Trading Period during which Registered Shareholders and the public may trade in the Offer shares.
- B. The Second Offering Period:** From Sunday 07/07/1436H (corresponding to 26/04/2015G) until the end of Tuesday 09/07/1436H (corresponding to 28/04/2015G) ("the Second Offering Period"), during which all holders of Offer shares, whether registered shareholders or purchasers of Offer shares during the Trading Period (each of whom is referred to as "Eligible Persons" and each an "Eligible Person", may exercise their right to subscribe. No trading of Offer shares shall take place in this period.

If there are shares that weren't subscribed ("Rump Shares") in the first and the second stage, in addition to fractional shares, if any, they shall be offered to institutional investors (referred herein as "investment institutions"). These investment institutions must submit purchase offers to the Rump Shares. Such offers shall be received as of 10 am on Sunday 14/07/1436H (corresponding to 03/05/2015G) and until 10 am of the following day on 15/07/1436H (corresponding to 04/05/2015G). This offering is referred to as ("Rump Offering"). The Rump Shares will be allocated

to institutional investors of the top offer and then least and the less. Such shares shall be allocated in proportion to investment institutions that make the same offer. Subscription to the new shares that were not subscribed to during this period shall be made at the offer price at minimum. If the sale price of the non-subscribed shares is higher than the offer price, the difference (if any) shall be divided as compensation to the holders of Offer Shares who didn't subscribe, using their rights, in pro rata the rights they own. Such amounts will be divided on its recipients according to their dues in a date that doesn't exceed Wednesday, 24/07/1436H (corresponding to 13/05/2015G).

The convening of the Extraordinary General Assembly requires the presence of shareholders representing (50%) of the capital at least, if the quorum wasn't achieved in the meeting, an invitation shall be made to a second meeting to be held during 30 days following the previous meeting. The second meeting shall be valid if the presence of the share holders was quarter of the capital at least. The votes in the Extraordinary General Assembly shall be counted as a vote per each share and in order to issue its resolution of increasing the Company's capital, the voting must be conducted by consent of the three-quarters (3/4) of the shares represented in the meeting.

The invitation to the Extraordinary General Assembly of the Company was published on 19/06/1436H (corresponding to 08/04/2015G) to approve issuing a Offer shares to increase the Company's capital in accordance with the regulations issued from the Ministry of Trade and Industry in this regard.

## Industry and Market Data

The economic information about the Saudi economy and the Insurance Sector as well as the market data is obtained from various public sources. It is believed that the information and data contained in the study of the industry and the market was obtained from reliable sources. While neither the Company nor its Directors have a reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. The referenced sources include:

### 1. The Saudi Arabian Monetary Agency (SAMA):

PO Box 2992 Zip Code 11169  
Riyadh – Al-Mazar Street  
Kingdom of Saudi Arabia  
Tel: +966 11 4633000  
Fax: +966 11 4662966  
Website: [www.sama.gov.sa](http://www.sama.gov.sa)



The Saudi Arabian Monetary Agency, the Central Bank of the Kingdom of Saudi Arabia, was established in 1372H, corresponding to 1952AD. The Agency performs the following main tasks:

- Issuance of the national currency (the Saudi Riyal);
- Conducting the business of the government bank;
- Commercial banks control;
- Management of the Kingdom reserves of foreign exchange;
- Management of the monetary policy in order to maintain price stability and exchange rates;
- Encouraging the growth of the financial system and ensuring its safety; and
- Supervising the insurance companies.

The information prepared by the Saudi Arabian Monetary Agency –which are quoted in this Prospectus particularly with regard to the information about the Saudi economy– is publicly available and can be obtained without the need for prior approval.

### 2. Central Department of Statistics and Information:

PO Box 3735 Zip Code 11481  
Riyadh –Hai Al-Merba', Prince Abdulrahman bin Abdulaziz Street  
Kingdom of Saudi Arabia  
Tel: +966 11 4014138  
Fax: +966 11 4059493  
Email: [info@cds.gov.sa](mailto:info@cds.gov.sa)  
Website: [www.cdsi.gov.sa](http://www.cdsi.gov.sa)



It was established under the general statistics of the State which is issued by the Royal Decree No. (23) dated 07/12/1379H. It is an independent agency that falls within the Minister of Economy and Planning and is the only official statistical source of the kingdom. It is responsible for providing government departments, public, and private institutions, and individuals with official statistical information and data.

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### 3. The Ministry of Finance – Kingdom of Saudi Arabia

Zip Code 11177

Riyadh - King Abdulaziz Road, Hai Al-wizarat

Kingdom of Saudi Arabia

Tel: +966 11 4050000

Website: [www.mof.gov.sa](http://www.mof.gov.sa)

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It is the second ministry that was established in the UK in 1351 H. It performs the following tasks:

- Supervising the execution of the fiscal and monetary policy of the state and monitoring their execution by the competent bodies;
- Preparing the state's budget, discussing it with the government agencies, and monitoring its execution;
- Adjusting the current accounts between the Ministry of Finance and all the other bodies of the State;
- Monitoring the previous phase of the disbursement of budget items in all the government agencies;
- Supervising the work of the state revenues and ensuring that they are carried out in accordance with the followed rules and regulations;
- Supervising the closing of accounts and annual expenses of the government;
- Supervising and maintaining the state property;
- Representing the state in the regional and international economic and financial institutions, following-up the financial and economic information at the international level, and conducting the necessary studies and reports about it;
- Executing the state decisions regarding foreign subsidies; and

Following-up the execution of the state policy in providing financial loans to citizens and national companies in various areas of development through the banks and funds that fall within it, namely the Agricultural Bank, the Credit Bank, the Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

## Financial Information

The audited financial statements for the period ended in December 31 of the years 2011G, 2012G, and 2013G and the unaudited financial statements of the first half of 2014G with the attached notes contained in this Prospectus were prepared in accordance with the international accounting standards for financial reports and were audited in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The audited financial statements of the years 2011G, 2012G, and 2013G and the unaudited financial statements of the first half of 2014G were prepared by (KPMG, Fawzan and Sadhan Certified Public Accountants), (Alsabti and Bannaga Certified Public Accountants), and (Saad Saleh Al-Sabti Bureau of Certified Public Accountants), noting that the Company issues its financial statements in Saudi Riyals.

## Forecasts and Forward-Looking Statements

The forecasts set in this Prospectus, in the form of assumptions, were based on the Company's information according to its market experience in addition to the declared market information that is available to the public. The Company's conditions in the future may differ from the assumptions set hereof, and therefore there is no guarantee or confirmation made with respect to the accuracy or completeness of these expectations. The Company asserts that the statements contained in this Prospectus were conducted according to the necessary professional accuracy.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected. Subject to the requirements of the Listing Rules, the Company must submit a supplementary prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise

revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

## Corporate Directory

### Members of the Board of Directors

No.	Name	Position	Nationality	Age	Qualification Shares	Direct Ownership Shares	Indirect Ownership Shares	Membership Status		Representation / Name of the Representative	Membership Date
								Independent	Executive / Non-Executive		
1	Saleh bin Abdullah bin Saleh Al-Henaki	Chairman	Saudi	42	315	315	-	Independent	Non-Executive	-	06/02/2011G
2	Mohammad bin Abdullah bin Mohammad Al-'Arifi	Member	Saudi	52	500	500	-	Independent	Non-Executive	-	26/06/2007G
3	Majed bin Abdullah bin Hamad Al-Hogail	Member	Saudi	47	20	20	-	Independent	Non-Executive	-	26/03/2011G
4	Fouad bin Abdullah bin Abdul-Rahman Al-Rashed	Member	Saudi	44	70	70	-	Independent	Non-Executive	-	17/07/2013G
5	Yasser bin Faisal bin Yahya Al-Sharef	Member	Saudi	41	237	237	-	Independent	Non-Executive	-	17/07/2013G
6	Saleh bin Abdul Aziz bin Al-Abdullah Al-Subail*	Member	Saudi	66	280	280	-	Independent	Non-Executive	-	10/10/2011G
7	**	Member	-	-	-	-	-	-	-	-	-
8	***	Member	-	-	-	-	-	-	-	-	-
9	****	Member	-	-	-	-	-	-	-	-	-

Source: Wafa Insurance

The member Saleh Al-Subailhas resigned from the post of Chief Executive Officer of the Company but he is still a member of the Board of Directors.

\*\* SushhobanSarkar, a member of the Board of Directors, was appointed as a representative of the Indian Company for Life Insurance on 12/05/2012G and resigned on 01/06/2014G.

\*\*\* RambahadranSredharanBilay, a member of the Board of Directors, was appointed as a representative of New India Assurance Co. Ltd. On 20/03/2012G and resigned on 13/07/2014G.

\*\*\*\* ThamohadranRamsami, a member of the Board of Directors, was appointed as a representative of Life Insurance Corporation of India on 06/12/2010 G and resigned on 01/07/2014G.

- Appointing new members requires the approval of SAMA and it is expected that new members will be appointed during the first quarter of 2015G.
- Most of the members of the Board of Directors have qualification shares less than the minimum, as prescribed by the regulations of companies, and the Company is currently working on amending this, which is expected to be done during the first quarter of 2015G.
- The reason behind the resignation of the three above-mentioned members is retirement from the companies they represent in the Board of Directors since these companies fall within the Indian Government.

## Company Address

Saudi Indian Company for Cooperative Insurance (Wafa Insurance)  
Riyadh - Northern Ring Road between exits 5 and 6  
PO Box 341 413 Zip Code 11333  
Riyadh –Kingdom of Saudi Arabia  
Phone: +966 11 2163400  
Fax: +966 11 2163411  
E-mail: [finance@wafainsurance.com](mailto:finance@wafainsurance.com)  
Website: [www.wafains.com](http://www.wafains.com)



## Secretary of the Board of Directors

Name: Hamoud bin Abdullah Al-'Anzi  
Position: Compliance Officer and Secretary of the Board of Directors  
PO Box 341 413 Zip Code 11333  
Saudi Indian Company for Cooperative Insurance (Wafa Insurance)  
Northern Ring Road between exits 5 and 6  
Riyadh - Kingdom of Saudi Arabia  
Phone: +966 11 2163400  
Fax: +966 11 2163411  
E-mail: [henazy@wafainsurance.com](mailto:henazy@wafainsurance.com)  
Website: [www.wafains.com](http://www.wafains.com)

## Company Representatives:

Name: Mohammed bin Abdullah Al-'Erifi  
Position: Member of the Board of Directors  
PO Box 341 413 Zip Code 11333  
Saudi Indian Company for Cooperative Insurance (Wafa Insurance)  
Northern Ring Road between exits 5 and 6  
Riyadh –Kingdom of Saudi Arabia  
Phone: +966 11 2163400  
Fax: +966 11 2163411  
E-mail: [marifi@alhokair.com.sa](mailto:marifi@alhokair.com.sa)  
Website: [www.wafains.com](http://www.wafains.com)

Name: Abdul-Rahman bin Abdullah Al-Sahli  
Position: Chief Executive Officer  
PO Box 341 413 Zip Code 11333  
Saudi Indian Company for Cooperative Insurance (Wafa Insurance)  
Northern Ring Road between exits 5 and 6  
Riyadh – Kingdom of Saudi Arabia  
Phone: +966 11 2163400  
Fax: +966 11 2163411  
E-mail: [aalsahli@wafainsurance.com](mailto:aalsahli@wafainsurance.com)  
Website: [www.wafains.com](http://www.wafains.com)

## Stock Market

Saudi Stock Exchange (Tadawul)  
Tawuniya Towers, North Tower, 700 King Fahd Road  
PO Box 60 612, Riyadh 11555  
Kingdom of Saudi Arabia  
Phone: +966 11 2189999  
Fax: +966 11 2189090  
E-mail: [webinfo@tadawul.com.sa](mailto:webinfo@tadawul.com.sa)  
Website: [www.tadawul.com.sa](http://www.tadawul.com.sa)





## Advisers

The Financial Advisor and Lead Manager  
Falcom Financial Services Company  
Riyadh –Olaya Street  
PO Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: +966 11 2054831  
E-mail: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa

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## The Legal Counsel

Abdul Aziz Al-'Assaf & Company (Lawyers and Advisers)  
Riyadh – Kingdom Tower (24 floor)  
PO Box 90 217, Riyadh 11613  
Kingdom of Saudi Arabia  
Tel: +966 11 2112000  
Fax: +966 11 2112727  
E-mail: aalmasoud@aaafirm.com  
Website: www.aaafirm.com



## External Auditors

KPMG Al-Fawzan and Al-Sadhan Certified Public Accountants  
Salah al-Din Street – KPMG Tower  
PO Box 92 876, Riyadh 11663  
Kingdom of Saudi Arabia  
Tel: +966 11 8748500  
Fax: +966 11 8748600  
E-mail: kalsedais@kpmg.com  
Website: www.kpmg.com.sa



Alsabti and Bannaga (Certified Public Accountants)  
PO Box 9524 Riyadh 11423  
Tel: +966 11 4615445  
E-mail: ssabti@alsabticpa.com  
Website: www.alsabticpa.com



Saad Saleh Sabti Office (Certified Public Accountants)  
Riyadh – Fourth Flor, Global Towers, Mazar Street  
PO Box 9524 Riyadh 11423  
Tel: +966 11 4615445  
E-mail: ssabti@alsabticpa.com  
Website: www.alsabticpa.com





## Financial Professional Care Consultant

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PricewaterhouseCoopers (PWC)  
Riyadh - Kingdom Tower (Floor 21)  
PO Box 13 933, Riyadh 11414  
Kingdom of Saudi Arabia  
Tel: +966 11 2110400  
Fax: +966 11 2110401  
E-mail: imad.matar@sa.pwc.com  
Website: www.pwc.com



## Actuary Expert

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Actuscope for Actuarial Services  
Riyadh – Al-Khaligiya Center, 205  
Hussein Bin Ali Street – Al-Izdihar  
Kingdom of Saudi Arabia  
PO 75 442 Riyadh 11578  
Tel: +966 11 2079878  
Fax: +966 11 2079878  
E-mail: samih.geha@actuscope.com.lb  
Website: www.actuscope.com.sa



## Underwriting Assistant

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Falcom Financial Services Company  
Riyadh –Olaya Street  
PO Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: +966 11 2054831  
E-mail: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa

FALCOM فالكم



### Notice:

The above Advisers have given and not withdrawn their written consent to the publication of their names, addresses and logos in the Prospectus and the publication of their statements in the form and content appearing herein; and they do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as of the date of publication hereof.

## Receiving Agents

Falcom Financial Services Company  
Riyadh –Olaya Street  
PO Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: +966 11 2054831  
E-mail: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa

FALCOM فالكم



Samba Financial Group  
King Abdul Aziz Road  
PO Box 833, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966 11 4774770  
Fax: +966 11 4799402  
E-mail: customercare@samba.com  
Website: www.samba.com.sa

samba سامبا

Al Rajhi Bank  
Olaya Street  
PO Box 28, Riyadh 11411  
Tel: +966 11 4629922  
Fax: +966 11 4624311  
E-mail: contactcenter@alrajhibank.com.sa  
Website: www.alrajhibank.com.sa

Al Rajhi Bank مصرف الراجحي



Riyad Bank  
King Abdul Aziz Road  
PO Box 22622, Riyadh 11416  
Kingdom of Saudi Arabia  
Tel: +966 11 4013030  
Fax: +966 11 4042618  
E-mail: customercare@riyadbank.com  
Website: www.riyadbank.com

بنك الرياض  
riyad bank

The Saudi British Bank (SABB)  
Riyadh - Prince Abdul Aziz bin Misa'id bin Galowui  
PO Box 9084, Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966 11 4050677  
Fax: +966 11 4050660  
E-mail: sabb@sabb.com.sa  
Website: www.sabb.com

SABB ساب



## The Main Banks of the Company

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Al Rajhi Bank  
Olaya Street  
Tel: +966 11 4629922  
Fax: +966 11 4624311  
E-mail: [contactcenter@alrajhibank.com.sa](mailto:contactcenter@alrajhibank.com.sa)  
Website: [www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)



The Saudi British Bank (SABB)  
Riyadh - Prince Abdul Aziz bin Misa'id bin Galowui  
PO Box 9084, Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966 11 4050677  
Fax: +966 11 4050660  
E-mail: [sabb@sabb.com.sa](mailto:sabb@sabb.com.sa)  
Website: [www.sabb.com](http://www.sabb.com)



Riyad Bank  
King Abdul Aziz Road  
PO Box 22622, Riyadh 11416  
Kingdom of Saudi Arabia  
Tel: +966 11 4013030  
Fax: +966 11 4042618  
E-mail: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)  
Website: [www.riyadbank.com](http://www.riyadbank.com)



## Summary of the First Offering period

The Receiving Agents of this Prospectus should read it thoroughly before making the decision of investing in the Company's shares offered under this Prospectus.

The Company	The Saudi Indian Company for Cooperative Insurance is a Saudi public joint stock Company established with Royal Decree No. (M/60) dated (18/09/1427H) corresponding to (11/10/2006G), Commercial Registration No. (1010236705) dated (07/24/1428H) corresponding to (07/08/2007G) issued in the city of Riyadh.			
A Summary of the Company's Activities	The main activity of the Company is cooperative insurance business and everything related to this type of business such as reinsurances, authorizations, representations, correspondence, or mediations.			
Major Shareholders	The Company's major shareholders who own 5% or more at the date of this Prospectus are:			
	Shareholder	Number of Shares	Capital (SR)	Percentage before Offering
	The New India Assurance Co. Ltd.	1,060,000	10,600,000	10,6%
	Life Insurance Corporation of India	1,020,000	10,200,000	10,2%
	LIC International	1,020,000	10,200,000	10,2%
Strategic Partners	A Strategic Partner is a Company (or group of companies) that has (have) technical, technological, and management experience as well as marketing activity, financial capabilities, and added-value of all aspects for becoming a partner in a business, activity, or industry so it develops it, provides solutions to the problems facing this activity and then play a large and active role in its management. The strategic partners in WAFA are: New India insurance Company Limited, Life Assurance Corporation of India, and LIC International as described above in the definition of major shareholders.			
The Nature of the Issuance	Increasing the Company capital through offering new shares (offering Offer shares).			
Issuance Price	(SR 10) per share, which represents the subscription value of the new share.			
Modified Price	The Company's share price in the financial market was modified to 20,59 SAR per share, by the end of trading in the day of the Extraordinary General Assembly, and after the approval of the shareholders in the Company on increasing the Company's capital, which represents a decrease in the Company's share price by 11.12 SAR per share.			
The Nominal Value of Shares	(SR 10) per share.			
Number of Outstanding and Issued Shares before the Underwriting	(10,000,000) ten million common shares.			
The Company's Capital before the IPO	(100,000,000) one hundred million Saudi Riyal.			
Total Number of Offered Shares	(10,500,000) ten million five hundred thousand common shares.			
Total Number of Shares after the IPO	(20,500,000) Twenty million five hundred thousand common shares.			
The Capital Increase Rate	The Company's capital will be increased with (105)%.			
Total Offering Value	(105,000,000) One hundred five million Saudi Riyal.			
Offering Cost	(5,000,000) Five million Saudi Riyal.			
Total Value of Issuance after Deduction of the Offering Cost	(100,000,000) One hundred million Saudi Riyal.			
Number of Shares to be Underwritten	(10,500,000) Ten million five hundred thousand common shares.			

<b>Total Amount to be Covered</b>	(105,000,000) One hundred five million Saudi Riyal.
<b>Usage of Subscription Proceeds</b>	Total subscription proceeds are estimated at about (105,000,000) one hundred five million Saudi Riyals of which the total subscription expenses of (5,000,000) five million Saudi Riyals will be deducted, which include the expenses and costs incurred for the issuance, including the fees of the financial adviser, the legal adviser for the subscription, the financial professional care adviser, and the media and public relations adviser in addition to subscription expenses, the Receiving Agents expenses, marketing, distribution and other expenses associated with offering. The Company intends to use the net of the total subscription proceeds mainly for the Company's business while maintaining the solvency margin required and the minimum capital in accordance with the requirements of the Implementing Regulations of the Cooperative Insurance Companies Control. Shareholders will not get any of the proceeds arising from the subscription (Please refer to the section of (Usage of Subscription Proceeds).
<b>Maturity Date</b>	The end of the Trading Period on the day of the Extraordinary General Assembly meeting, in which there was a voting on the proposed capital increase according to the recommendation of the Board of Directors at its meeting dated 19/06/1436H (08/04/2015G).
<b>Registered Shareholders</b>	The Company's shareholders registered in the shareholders' record by the end of the Trading Period on the day of the Extraordinary General Assembly meeting.
<b>Offer shares</b>	These are tradable securities that give the holder the eligibility of subscription of new shares offered at the approval of the capital increase, which is an acquired right to all the shareholders registered in the Company records at the end of the day of the Extraordinary General Assembly meeting. Each share gives its holder the right of subscription to a new one share at the offer price. Offer shares will be deposited after the Extraordinary General Assembly meeting in two days. The rights will appear in the portfolios of the registered shareholders under a new symbol for Offer shares. And then, the registered shareholders will be notified about depositing the rights in their portfolios.
<b>New Shares</b>	These are the shares offered for subscription resulting from the issuing Company's capital increase.
<b>Offer shares Factor</b>	(1.05) right to each (1) share owned by registered shareholders, noting that this percentage is the result of dividing the number of new issued shares by the current shares of the Company.
<b>Number of Issued Offer shares</b>	(10,500,000) Ten million five hundred thousand rights.
<b>The First Offering Period</b>	From Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of trading on Thursday 04/07/1436H (corresponding to 23/04/2015G) ("the First Offering Period"), During which only Registered Shareholders may exercise their right to subscribe (in whole or in part) to the New Shares up to the number of Offer shares deposited in their portfolios after the Extraordinary Assembly Meeting. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and the public may trade in the Offer Shares
<b>Offer shares Trading Period</b>	From Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of Thursday 04/07/1436H (corresponding to 23/04/2015G), and both registered and unregistered shareholders can trade in Offer shares trading during this period.
<b>The Second Offering Period</b>	From Sunday 07/07/1436H (corresponding to 26/04/2015G) until the end of Tuesday 09/07/1436H (corresponding to 28/04/2015G) ("the Second Offering Period"), during which all holders of Offer shares, whether registered shareholders or purchasers of Offer shares during the Trading Period (each of whom is referred to as "Eligible Persons" and each an "Eligible Person", may exercise their right to subscribe No trading of Offer shares shall take place in this period.
<b>Subscription Procedures</b>	The eligible persons wishing to subscribe to new shares should fill in the available applications at the branches of the Receiving Agents and then deliver them at any of these bodies during the subscription period. Subscription can also be done online, via bank telephone, or ATM of the Receiving Agents that allow one or all of these services to subscribers, on two main conditions: (1) The subscriber "the eligible person" should have an account in the Receiving Agent that offers these services and (2) The subscriber's "the eligible person" information or data should not have undergone any changes (deleting or adding a family member) since subscribing to a new offering unless these amendments are informed to the Receiving Agent which approved them accordingly.
<b>The Rump Shares</b>	The Rump Shares are those which are not subscribed to in the first and second subscription stages.

<b>The Rump Offering</b>	The Rump Shares will be offered to a number of investors with institutional nature (referred to as "institutional investors") provided that these investment institutions should submit offers for buying the Rump Shares. These offers will be received starting at ten o'clock in the morning on Sunday 14/07/1436H (corresponding to 03/05/2015G) till ten o'clock in the morning of the following day on 15/07/1436H (corresponding to 04/05/2015G), which is referred to the (subscription to the Rump Shares). The Rump Shares will be allocated for investment institutions of higher bid, then the lower. These shares will be allocated proportionately for the investment institutions that provide the same offer. For fractional shares, they will be added to the Rump Shares and will be managed in the same way.
<b>The Eligible Persons</b>	All those who hold the Offer shares whether among the registered shareholders or those who bought offer shares during the subscription period.
<b>Listing and Trading in Offer shares</b>	<p>Tadawul develops mechanisms for regulating the Offer shares trading process in its systems and a separate symbol of Company's Offer shares is marked (which is different from the Company's share on the trading screen). Registered shareholders, during the subscription and the Offer shares Trading Period, have the following options:</p> <ol style="list-style-type: none"> <li>1. Keeping the rights as at the date of eligibility and exercising their rights to subscribe in new shares;</li> <li>2. Selling the rights or part thereof, through the Exchange;</li> <li>3. Purchasing additional rights on the Exchange; and</li> <li>4. Not to do anything with regard to the Offer shares, either by selling or subscription. In this case, the Rump Shares resulting from failure to exercise these rights or selling them will be offered during the "Rump Offering" period.</li> </ol> <p>Institutional investors and individuals may, during the Trading Period, buy and sell Offer shares in the market and subscribe to them if they are kept till the end of the first subscription period, only during the second subscription period. Tadawul system will delete the Company's Offer shares symbol on its screen after the end of the rights Trading Period. Therefore, Offer shares trading will stop by the end of the Offer shares Trading Period.</p>
<b>Indicative Value of Right</b>	The indicative value of right refers to the difference between the market value of the Company's share during the Trading Period and the offer price. Tadawul will calculate and continuously publish the indicative value of right during the Trading Period on its website each five minutes, in addition to market information services providers, so that investors can follow-up the indicative value of right when submitting orders.
<b>Right Trading Price</b>	This is the trading price of the right, noting that this price is determined through the supply and demand mechanism in the market, consequently it may be different from the indicative value of right.
<b>Exercising the issued Offer shares</b>	<p>It is the eligible persons' subscription to the new Offer shares by completing a subscription form and paying the price at the branches of the receiving agents or by online subscription to the Receiving Agents that provide these services to subscribers. Eligible persons can exercise Offer shares as follows:</p> <ol style="list-style-type: none"> <li>1. In the first stage, only registered shareholders can exercise their right to subscribe (either fully or partially) to new shares within the number of Offer shares that were deposited in their portfolios after the Extraordinary General Assembly meeting. At the end of the Trading Period, subscription to a number of new shares will be approved due under the number of Offer shares found in the portfolio. The First Offering period will be in the same time with the Offer Shares Trading Period, in which both registered and unregistered shareholders can trade in Offer shares.</li> <li>2. During the second stage, holders of all Offer shares, whether registered shareholders or those who have bought Offer shares during the Trading Period, are allowed to exercise their right to subscribe.</li> </ol> <p>In case Offer shares are not exercised by the eligible persons before the end of the second stage, the Rump Shares resulting from failure to exercise these rights or selling them will be offered during "Rump Offering" period.</p>
<b>shares Allocation</b>	Shares will be allocated to each investor based on the number of rights exercised completely and correctly. For the eligible persons of fractional shares, fractional shares will be calculated and offered to institutional investors during the "Rump Offering" period.
<b>Payment of Compensation Amounts (If any)</b>	Cash compensation will be paid to eligible persons who did not exercise their right of subscription, either fully or partially, to the new shares and for the eligible persons of fractional shares no later than on Wednesday 24/07/1436H (corresponding to 13/05/2015G). (See "Terms and subscription instructions" section). Noting that the compensation amounts represent the rest of the proceeds of selling the Rump Shares and fractional shares (beyond the offer price) in the "Rump Offering" period.
<b>Eligibility to Dividends</b>	Any profits, declared by the Company, of the new shares offered for subscription are due since the date of issuance and the fiscal years that follow it.

<b>Voting Rights</b>	All the Company's shares are of one class and no shareholder has any preferential voting rights. Each of the offered shares holds a right for voting and each shareholder who owns twenty (20) shares, at least, has the right to attend the General Assembly and vote in its meeting.
<b>Shares Trading</b>	It is expected that the Offer shares Trading Period in Tadawul will begin after the end of the process of final allocation of shares and completing all the relevant legal procedures.
<b>Risk Factors</b>	Investment in this subscription is embedded with certain risks. These risks can be classified into (a) risks related to the Company's activities and operations, (b) risks related to market and the legislative environment, and (c) risks related to shares. These risks are reviewed in the "Risk Factors" section of this Prospectus.
<b>Previously Listed Shares</b>	The Company listed (10,000,000) ten million common shares with a nominal value of ten (10) Saudi Riyals per share on 25/08/2017 G on the Saudi Stock Exchange (Tadawul), where the founding shareholders subscribed to (60%) of the Company's capital while (40%) of the Company's capital was offered for public offering. The number of free shares is (6,900,000) at the date of this Prospectus and the Company is committed to announce any change in the ownership of the senior founders.
<b>Restrictions to Shares</b>	Since the ban period has elapsed, all shares are tradable according to the rules, regulations, and instructions issued by the Capital Market Authority. However, the main founders must obtain the approval of the Saudi Arabian Monetary Agency then the approval of the Capital Market Authority prior to the disposition of their shares.
<b>Restrictions to Offer shares</b>	There are no restrictions on the subscription of the founding shareholders to the new Offer shares issued. Until the date of this Prospectus, none of the founding shareholders submitted any subscription obligation to all or part of the Offer shares of each one. However, if any of them wanted to sell its share or buy additional rights, it should obtain the approval of the Saudi Arabian Monetary Agency.
<b>The "Important Notices" and "Risk Factors" sections contained in this Prospectus must be carefully studied before deciding to invest in the shares offered for subscription.</b>	

## Key Dates and Subscription Procedures

<b>Expected Schedule of Subscription</b>	<b>Date</b>
The Extraordinary General Assembly meeting and determining the date of eligibility and eligible shareholders	Wednesday, 21/04/1436H (10/02/2015G)
The date of the first offering period and Offer shares trading	From Tuesday, 25/06/1436H (14/04/2015G) to Thursday, 04/07/1436H (23/04/2015G)
The date of the second offering period	From Sunday, 07/07/1436H (26/04/2015G) to Tuesday, 09/07/1436H (28/04/2015G)
The subscription period expiry date and the last day to submit subscription applications forms	Tuesday, 09/07/1436H (28/04/2015G)
The date of the "Rump Offering"	From Sunday, 14/07/1436H (03/05/2015G) to Monday, 15/07/1436H (04/05/2015G)
The notice of final allocation	Wednesday, 17/07/1436H (06/05/2015G)
Compensation payments (if any) for the eligible persons who did not participate in the subscription and the fractional shares eligible persons	Wednesday, 24/07/1436H (13/05/2015G)
Expected beginning of trading in the shares offered for subscription	After the completion of all necessary procedures, dates will be announced in local newspapers and on Tadawul website.



## Dates of Key Announcements

No.	Announcement	Announcer	Date of Announcement
1	Announcement of the Extraordinary General Assembly meeting (the date of eligibility)	Company	Wednesday, 19/06/1436H (08/04/2015G)
2	Announcement of the Extraordinary General Assembly results, which included the approval of the Company's capital increase	Company	20/06/1436H (09/04/2015G)
3	Announcement of amending the Company's share price, depositing rights, and announcing the indicative value of right	Tadawul	20/06/1436H (09/04/2015G)
4	Announcement of determining the subscription periods to the new shares and the trading rights period	Company	20/06/1436H (09/04/2015G)
5	A reminder of the start of the first subscription period and Offer shares Trading Period	Company	25/06/1436H (14/04/2015G)
6	A reminder of the last day of Offer shares trading and a notification of the importance of selling the rights, for those who do not wish to subscribe	Tadawul	04/07/1436H (23/04/2015G)
7	Announcement of the start of the second phase of subscription	Company	07/07/1436H (26/04/2015G)
8	A reminder for the last day for submitting subscription applications for the second stage	Company	09/07/1436H (28/04/2015G)
9	Announcement of: Subscription results of the first and second stages. Details of the sale of shares that were not subscribed to, if any, and the start of "Rump Offering" period	Company	14/07/1436H (03/05/2015G)
10	Announcement of the results of offering the Rump Shares and a notification of the final allocation	Company	17/07/1436H (06/05/2015G)
11	Announcement of the new shares depositing in the investors' portfolios	Tadawul	21/07/1436H (10/05/2015G)
12	Announcement of distribution of the compensation amounts (if any) to eligible persons	Company	24/07/1436H (13/05/2015G)

Notice: The above timetable and dates therein are indicative. Actual dates will be announced through national daily newspapers published in Arabic and on the Tadawul website ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

## How to apply?

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering.

Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First Offering Period and the Second Offering Period (as applicable) at the Receiving Agents' branches then deliver the same to any of these Receiving Agents during the Offering period. It is also possible to apply through the internet, phone or ATMs of any of the Receiving Agents that offer one or all of these services to the Applicants, under two basic conditions: (1) the Applicant "Eligible Person" shall have a bank account with the Receiving Agent which offers such services, (2) there should have been no changes in the personal information or data of the "Eligible Person" (by deleting or adding a family member) since his subscription in a recent offering, unless the Receiving Agent was notified of and approved these amendments. Subscription Application Forms must be completed in accordance with the instructions mentioned under section "Subscription Terms and Conditions" of this Prospectus. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Agents. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (Please see section "Subscription Terms and Conditions" of this Prospectus). Offer shares

## **FAQ about the New Offer Shares Issue Mechanism**

### **What are Offer shares?**

These are tradable securities that give the holder the eligibility of subscription to new shares offered at the adoption of the capital increase, which is an acquired right of all the shareholders registered in the Company records at the end of the day of the Extraordinary General Assembly meeting. Each right gives the holder subscription eligibility to a new one share at the offer price.

### **Who is granted the Offer shares?**

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

### **When are the Offer shares deposited?**

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period. Offer shares.

### **How are Registered Shareholders notified of the Offer shares being deposited in their portfolios?**

Registered shareholders are notified through an announcement on Tadawul website.

### **How many rights can be given to a Registered Shareholder?**

This depends on the eligibility factor and the number of shares owned by the registered shareholder at the end of trading on the day of the EGM.

### **What is the Rights Issue ratio?**

It is the factor that enables registered shareholders to know the number of due Offer shares in exchange for the shares it owns at the date of the Extraordinary General Assembly meeting. For example: if the number of the shares issued for a given Company is 1,000 shares and this Company raised its capital by offering 200 new shares, the number of its shares will be increased to 1,200 shares and the eligibility factor, in this case, will be 1 to 5 (i.e. one new share for every five shares).

### **Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?**

Offer shares will be deposited to the investors' portfolios under a new symbol for Offer shares.

### **What is the Right value upon the trading commencement?**

The opening price of right will be the difference between the closing price of the Company's shares on the day before the inclusion of the right, and the offer price. For example: if the closing price in the previous day is SAR 35 and the offer price is SAR 10, the opening price for priority rights will be SAR 25.

### **Can Registered Shareholders subscribe for additional shares?**

Registered shareholders can subscribe to additional shares through buying new Offer shares during the Trading Period. New additional shares that are acquired through purchasing new Offer shares can be subscribed to only during the second offering period.

### **How does the Offering take place?**

The subscription process works, like what is currently followed, by submitting subscription application forms at any of the branches of the Receiving Agents (named in this Prospectus) during the offering periods only.

### **Is it possible to subscribe more than once and through more than one receiving agent?**

Yes, it is possible, but taking into consideration that the amount of subscribed shares must not be more than the number of rights owned at the end of the Offer shares Trading Period, since any increase in the amount of subscribed shares more than the number of rights owned at the end of the Offer shares Trading Period will result in the cancellation of the subscription application.

**In case of owning the Company's shares through more than one investment portfolio, in which portfolio Offer shares will be deposited?**

Offer shares will be deposited in the same portfolio in which the Company's shares related to the rights are deposited. For example, if a shareholder owns 1000 shares in the Company (800 shares in the portfolio "A" and 200 shares in the portfolio "B"), the total rights to be deposited is (1,050) rights on the grounds that each share has (1.05) right, consequently 840 rights will be deposited in the portfolio "A" and 210 rights in the portfolio "B".

**In case of subscription through more than one portfolio, in which portfolio the new shares, after allocation, will be deposited?**

The shares will be deposited in the investment portfolio mentioned in the first subscription application.

**Do holders of shares certificates have the right to subscribe and trade?**

Yes, holders of shares certificates have the right to subscribe, but they can trade only after the certificates are deposited in the investment portfolios through the Receiving Agents or depository centers in Tadawul and bringing the necessary documents.

**In case of completing subscription to the new shares and rights are sold, what happens in this case?**

In case one of the registered shareholders subscribed and then sold the Offer shares but did not purchase Offer shares equal to the number of rights that it subscribed to by the end of the Trading Period, the subscription application will be fully rejected in case of selling all the rights or partly i.e. equivalent to the rights sold. The registered shareholder will be notified and the amount of subscription will be refunded through the Recipient.

**Do owners of additional rights have the right to trade in them again?**

Yes, and they can sell them and purchase other rights only during the Trading Period.

**Is it possible to sell a portion of these rights?**

Yes, the investor can sell a portion of these rights and subscribe to the remaining part.

**Is subscription possible during the weekend between the first and second stages?**

It is not possible.

**When the shareholder can subscribe to the Offer shares which it bought during the Trading Period?**

During the second stage only and after the end of the Offer shares Trading Period.

**Is it possible for the eligible person to sell the rights after the end of the Trading Period?**

It is not possible. After the end of the Trading Period, it remains for the eligible person to exercise the right to subscribe by increasing the capital. In case of failure to exercise the right, the investor may face loss or decrease in the value of the investment portfolio.

**What happens to the Offer shares that have not been sold or subscribed to during the Trading Period and the first and second subscription stages?**

The Rump Shares resulting from lack of exercising or sale of these rights will be offered in the offering of the Rump Shares period which is organized by the lead manager, according to the standards set by this Prospectus.

**Will there be any additional charges for the operations of Offer shares Trading Period?**

The commissions of purchasing and selling will be the same of that of shares but without a minimum amount of the commission.

## Summary of Key Information

This summary provides a brief overview of the information contained in this Prospectus. Since it is a summary, it does not include all the information that may be significant to subscribers. The Receiving Agents of this Prospectus must read it fully before making a decision to invest in the new offered shares. All the terms and acronyms mentioned in this Prospectus are defined in the “Definitions and Terminology” section.

## Company Background

The Saudi Indian Company for Cooperative Insurance “Wafa Insurance” is a Saudi joint stock Company established with Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G) and the Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 9/10/2006G), with a capital of SAR (100,000,000) one hundred million Saudi Riyals divided into (10,000,000) ten million common shares with a nominal value of ten (10) Saudi Riyals per share with a fully paid-up value. The address of the Company’s headquarters is the Northern Ring Road between exits 5 and 6, Hai Al-Masiaf, the city of Riyadh and was registered in the Commercial Registration No. (1010236705) dated 24/07/1428H (corresponding to 07/08/2007G). It is licensed by the General Investment Authority under License No. (10202330317013) dated 26/01/1426H (corresponding to 07/03/2005G) and is authorized to carry on insurance business by the Saudi Arabian Monetary Agency under the License NO. (T MN /14/20086) dated 06/06/1429H (corresponding to 20/08/2008G). The Company carries out cooperative insurance and related activities in accordance with the Cooperative Insurance Companies Control and its Implementing Regulations as well as other rules in force in the Kingdom. The Company operates in Kingdom of Saudi Arabia through its licensed branches in Riyadh, Jeddah and Al-Khobar.

The Board of Directors has recommended in its meeting held in Riyadh on 27/06/1435H (corresponding to 27/04/2014G) to increase the Company’s capital to (205,000,000) two hundred and five million SAR, through a Offer shares issue to comply and maintain the margin of solvency required. The Company also received the approval of the Saudi Arabian Monetary Agency by letter number (351000133768) dated 30/10/1435H (corresponding to 26/08/2014G) regarding the Company’s capital increase of SAR (105,000,000) one hundred and five million Saudi Riyals by issuing Offer shares. On 19/06/1436H (corresponding to 08/04/2015G) the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company’s capital.

## Business Activity

The Company was licensed to practice the following main insurance activities: (1) General Insurance (2) Medical Insurance (3) Protection and Savings. Noting that the Company has received final and temporary approvals from the Saudi Arabian Monetary Agency for a number of insurance products as follows:

1. Accident and Liability Insurance;
2. Medical Insurance;
3. Auto Insurance;
4. Property Insurance;
5. Marine Insurance;
6. Engineering Insurance; and
7. Protection and Savings Insurance.

## Founding Stages of the Company

The Company was founded in 2007G through partnership between a number of international companies, the Life Insurance Corporation of India, the LIC International, and New India Assurance Co. Ltd. as well as a number of Saudi partners. The founding shareholders have subscribed to (6,000,000) six million common shares with nominal value of (60,000,000) sixty million Saudi Riyals and was paid in full value and deposited on behalf of the under-formed Company in Banque Saudi Fransi. After the issuance of the Royal Decree which licensed the establishment of the Company, the rest of the shares were issued for public subscription, which amounted to (4,000,000) four million shares at the subscription price of (10) ten Saudi Riyals per one share and the total of (40,000,000) forty million Saudi Riyals. Hence, the full repayment of the Company’s capital is paid as it is recorded in the Company’s financial statements. On June 1st, 2012G, the Saudi Indian Company for Cooperative Insurance announced the launch of its trade name (Wafa Insurance).

The Company stresses that it has not done, since its establishment and until the date of this Prospectus, any increase of its capital through issuing Offer shares.

## Substantial Owners

The list of shareholders who own 5% or more:

Shareholder	Nationality	Number of Shares	Capital (SR)	Percentage before Offering
The New India Assurance Co. Ltd.	India	1,060,000	10,600,000	10,6%
Life Insurance Corporation of India	India	1,020,000	10,200,000	10,2%
LIC International	Bahrain	1,020,000	10,200,000	10,2%

## The Company's Vision

That the Company provides the best financial guarantee that is in line with our values, which is designed and created by a professional team, and builds and develops long-term professional relationships with the clients who are looking to quality solutions in their risk management at costs that are proportionate with the nature of their businesses. We seek to grow and expand our products and services to achieve the optimal coverage and to be the best in the eyes of our clients, employees, and shareholders. Also, we seek to be a leading Company in the insurance industry in the Kingdom of Saudi Arabia.

## The Company's Message

The Company message is to make the insurance experience easy and satisfying. The Company also stresses its commitment and determination to provide the best insurance solutions at affordable prices.

## The Company's Values

- Credibility and integrity;
- Serving our clients through integrated efforts between the different departments and sections of the Company;
- Commitment to meeting the requirements of all stakeholders in the Company;
- Daily pursuit of continuous learning;
- Respect for national cultures of our multinational employees;
- Seriousness and perseverance;
- Respect for the value of time and using it optimally in the performance of work tasks; and
- Embracing change and initiatives.

## The Company's Strategy

The Company Strategy was developed based on the Board of Directors' orientations that have been developed on the basis of an advanced set of standards. Wafa Insurance Company strategy is based on ensuring the growth in the insurance portfolio in a balanced way, rather than focusing on a given product more than another, and on distributing our products in a consistent, orderly, and thoughtful way among all segments of society in addition to our relentless pursuit to build a transparent and backed relationship that is supported by full protection of a high quality for both insurance brokers and our valued customers. The main objective of the Company is to achieve fruitful results that ensure acceptable returns for both the shareholders and our valued customers.

In addition, Wafa Insurance Company plans, through a well-thought-out and well-organized strategy, to increase the geographical spread and to increase its presence clearly in the Saudi market through the opening of new branches and the expansion of current branches. These are some of our main objectives:

- To achieve a total annual level of insurance premiums that enables the Company to obtain a share in the insurance market;
- To develop the internal rules, regulations, and standards that will ensure the rights of the insured;
- To provide new, varied, and high-level insurance products and services at competitive prices;
- To work in accordance with an effective and powerful strategy to take advantage of comparative and competitive advantages and new opportunities that are embedded in the Saudi economy;
- To create a brand name and a high-profile reputation for the Company through advertising and promotional campaigns for the Company's services and products;
- To make the amendments and improvements to the products in order to achieve the local requirements;

- To establish new local distribution channels in accordance with the fixed principles of insurance and the followed control standards;
- To build relationships with the well-known international companies to carry out insurance operations on a large scale; and
- To achieve better returns through a well thought-out investment policy.

## **The Strengths and Competitive Advantages**

- The Company is one of the few companies that offer a wide range of protection and savings insurance products;

## **Extensive knowledge of local communities and foreign communities;**

- The management team, which has many years of experience;
- The diverse customer base, which covers general insurance, protection and savings insurance sectors;
- The diversity of products and geographical spread;
- Treaties Reinsurance with international companies in the field of reinsurance; and
- The trade name of the Company.

## **An Overview of the Insurance Sector in the Kingdom**

The information contained in this Prospectus regarding the insurance sector and the other information related to the market in which the Company operates is obtained from various sources. The Company has conducted reasonable investigations to ascertain the validity of the sources. Despite there is no reason for the Company, or for any of the Company's advisers whose names appear on pages vii and viii, to believe that there is incorrect information contained in these sources and estimates, however, that there is no guarantee of the accuracy and completeness of any of them. Among these sources are the following:

- The estimates and forecasts of the Company; and
- Information and analyses of the insurance industry, which have been obtained from publicly available sources and materials issued by other parties.

The insurance market in the Kingdom is relatively new, since the insurance industry has always been limited to covering the export and oil markets needs in the seventies of the last century. The insurance sector faced many difficulties due to the absence of the laws that regulate the process. There were more than 100 companies registered as foreign units operating from abroad as global insurance brokers or agents for private insurance companies for the purpose of providing insurance services in the Kingdom. These companies were registered in Bahrain because it is near to the Kingdom. In the absence of a regulatory framework, the policyholders suffered from the lack of a formal market in terms of dealing with the protection of the interests of consumers from fraudulent or illegal acts. This paved the way, later, for making reforms and restructuring the insurance sector in the Kingdom. Then, there was the decision No. 51 date 04/04/1397H (corresponding to 23/03/1977G) by the Council of Senior Scholars (Saudi Arabia) based on which cooperative insurance was considered as a form of donation contract and therefore it is acceptable in the Islamic law (Shari'ah). In 1406H (1986G), the government established the first cooperative insurance Company, the National Company for Cooperative Insurance ("the Cooperative"), in order to cover the local insurance needs.

The Saudi Arabian Monetary Agency handles the task of organizing and supervising the insurance sector, preparing and executing the licensing standards for insurance companies. The new system imposes on insurance companies to be registered and licensed in the Kingdom as a public joint stock Company in order to engage in the insurance business in the Kingdom. The new laws apply not only on the insurance companies, but also on the reinsurance companies, reinsurance brokers, agencies, brokers, and loss adjustment offices.

The local insurance sector has witnessed a transition phase in which operating companies were allowed to operate within a deadline of 09/04/2008G, where it became a must that insurance companies either obtain a license from the Saudi Arabian Monetary Agency that allows it to operate in the Kingdom according to the Law of Cooperative Insurance Companies Control of the year 2003G, or to end its operation in the market. The Saudi Arabian Monetary Agency allowed the companies that completed the study or its files, or for which a royal decree for establishment was issued but were not completely established, to renew the insurance policies for clients within a deadline of 17/02/2010G.

The structural reforms carried out by the government led to the growth of the insurance sector at high rates in the past few years. The insurance industry has grown from SAR 10,875 billion in 2008G to SAR 25,125 billion in 2013G, with a compound annual growth rate of 18%.



The annual report of the Saudi Arabian Monetary Agency for the fiscal year 2013G indicates that the vehicle insurance reached 49% of the gross written premiums, while medical insurance reached about 33% of the total written premiums. It is worth mentioning that medical insurance is compulsory for all foreigners and citizens working in the private sector since its approval on July 15, 2006G, according to the Cooperative Health Insurance Council data. Vehicle insurance is also considered one of the regulatory requirements (based on the Cooperative Insurance Companies Control Law issued by Royal Decree No. M/32 dated 02/06/1425 AH, and the Council of Ministers Resolution No. 222 dated 13/08/1422 H on compulsory vehicle insurance, and the introduction of the "Unified Document for Compulsory Vehicle Insurance" which was approved by the Governor of the Saudi Arabian Monetary Agency.

## A Summary of the Company's Financial Information

The summarized financial statements below and the audited financial statements including the attached notes for the financial years that ended in December 31 for the years 2011G, 2012G, and 2013G, in addition to the unaudited financial statements of the first six months of 2014G compared to the same period in 2013G— must be carefully read.

Balance Sheet (thousand SAR)	2011G Audited	2012G Audited	2013G Audited	First Half of 2013G Unaudited	First Half of 2014G Unaudited
Total assets of the insurance operations	92,458	157,987	172,794	153,862	191,927
Total assets of the shareholders' operations	66,626	61,965	67,399	68,764	75,595
Total assets	159,084	219,952	240,193	222,626	267,522
Total liabilities of the insurance operations	92,458	157,987	172,794	153,862	191,927
Total shareholders' liabilities	15,502	26,571	37,919	32,520	48,396
Total shareholders' rights					
Total shareholders' rights and liabilities					
Total insurance operations liabilities, shareholders' rights, and shareholders' liabilities					

Source: Audited Financial Statements for the years 2011G, 2012G, and 2013G and the unaudited financial statements of the first half of 2013G and 2014G.

Statement of Income (SAR Thousand)	2011G Audited	2012G Audited	2013G Audited	First Half of 2013G Unaudited	First Half of 2014G Unaudited
Gross written premiums	93,896	162,460	196,869	98,767	120,780
Total paid claims	62,852	79,389	126,080	33,637	39,426
Surplus (deficit) of insurance operations	-3,139	-12,581	-11,416	-1,857	-3,775
Surplus (deficit) transferred to shareholders' operations	3,139	12,581	11,416	1,857	3,775
Surplus (deficit) transferred from insurance operations	-3,139	-12,581	-11,416	-1,857	-3,775
General and administrative expenses	-565	-1,470	-1,600	-966	-894
Net income (loss) for the year	-2,375	-15,965	-6,553	1,325	-1,660
Profit (loss) per share for the year (after Zakat) (SR)	-0.24	-1.60	-0.66	0.13	-0.17

Source: Audited Financial Statements for the years 2011G, 2012G, and 2013G and the unaudited financial statements of the first half of 2013G and 2014G.



Cash flows (SAR Thousand)	2011G Audited	2012G Audited	2013G Audited	First Half of 2013G Unaudited	First Half of 2014G Unaudited
Statement of the cash flows of insurance operations					
Net cash from (used in) operating activities	-2,376	10,575	-5,469	379	-9,784
Net cash from (used in) investing activities	-301	-2,548	-298	-92	-189
Net cash (used in) from financing activities	500	5,000	516	-3,088	-
Cash and cash equivalents at the end of the year	2,624	15,651	10,400	12,851	427
Cash flows of shareholders					
Net cash used in operating activities	649	95	-855	-552	8,543
Net cash from (used in) investing activities	-9,613	-11,514	-19,428	-29,481	7,391
Net cash from financing activities	-500	-5,000	-516	3,088	-
Cash and cash equivalents at the end of the year	47,317	30,898	10,099	8,953	26,033

Source: Audited Financial Statements for the years 2011G, 2012G, and 2013G and the unaudited financial statements of the first half of 2013G and 2014G.

Ratios and Key Performance Indicators for the Income Statement	2011G Audited	2012G Audited	2013G Audited	30th June 2013G Unaudited	30th June 2014G Unaudited
Retention ratio (net written premiums/ total written premiums)	%70.6	%64.5	%63.5	64.6%	66.6%
Loss ratio, the net of (net incurred claims/net earned premiums)	%60.1	%69.1	%72.3	62.2%	61.2%
Expense ratio (subscription expenses/net earned premiums)	28%	28.3%	25%	24.2%	23.2%
Composite ratio (expenses ratio + loss ratio)	88.1%	97.4%	97.3%	86.4%	84.4%
Incurred commission expenses as a percentage of total written premiums	8.5%	%9.3	%10.7	8.8%	8.5%
Reinsurance commission earned as a percentage of ceded premiums	5.7%	%9.2	5.8%	3.9%	3.5%
Surplus/deficit from insurance operations as a percentage of net earned premiums	%5.6-	-15.4%	9.7-%	3.3-%	5.3-%

Source: Management Analyses.

Main ratios and performance indicators of the financial position	2011G Audited	2012G Audited	2013G Audited	30th June 2013G Unaudited	30th June 2014G Unaudited
Liquidity ratio (total assets – intangible properties, equipment, and assets/total shareholders' liabilities + total liabilities and surplus of the insurance process)	1.46	1.17	1.13	1.18	1.10
Cash ratio (cash and cash equivalents + statutory deposit/total shareholders' liabilities + total liabilities and surplus of the insurance process)	0.57	0.35	0.32	0.17	0.28
Book value per share (SR)	5.1	3.5	2.9	3.6	2.7
Indebted insurance premiums ratio/total written premiums	37%	31%	23%	43%	41%
Indebted premiums ratio/total assets	22%	23%	19%	19%	19%
Asset turnover (times) net written premiums/total assets	0.41	0.46	0.51	0.29	0.29

Source: Management Analyses.

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# 1. Definitions and Terminology

The following table shows a list of definitions and terminology for the terms used in the prospectus:

Term or Abbreviation	Definition
CAGR	Compound Annual Growth Rate
SOCPA	Saudi Organization for Certified Public Accountants
International Financial Reporting Standards (IFRS)	A set of accounting standards and its interpretations issued by the International Accounting Standards Board "International Financial Reporting Standards"
Wafa/ Wafa insurance/ Company	Saudi Indian Company for Cooperative Insurance (Wafa)
Senior executives, directors or senior management	Saudi Indian Company for Cooperative Insurance Administration
Marketable Securities	A marketable security
Subscription, Offering, or Right Issue Offering	Increasing the capital of the Saudi Indian company for co-operative insurance by offering new shares
Shares	The common shares (10,000,000) ten million of common shares which all fully paid SAR (10) per each.
Issuing Rights Issue	Additional shares offering to shareholders of the Company in which the right to subscription is equal to the percentages of their ownership.
Eligibility date	The end of the Trading Period on the day of the Extraordinary General Assembly of 19/06/1436 H corresponding to (08/04/2015G), in which was it was voted for the proposed capital increase according to a recommendation made by the board of directors during its meeting on 27/06/1435 H corresponding to (27/04/2014G).
First Offering period	Commences at Tuesday 25/06/1436H (14/04/2015G), and continues until the end of Thursday 04/07/1436H (23/04/2015G) ("the initial offering period"), which is available to only the registered shareholders to exercise their right to subscribe (totally or partially) in the new shares within the limits of the number of Offer shares deposited in their portfolios after the Extraordinary Assembly meeting. The approval will only include subscription with the number of new shares due under the number preliminary prospectus rights in the portfolio at the end of the Trading Period. The initial offering stage coincides with the period of trading of the Offer shares that the registered and unregistered shareholders can trade in the Offer shares.
Offer Shares Trading Period	Commences on Tuesday, 25/06/1436H (corresponding to 14/04/2015G) and continues until the end of Thursday 04/07/1436H (corresponding to 23/04/2015G) and the registered and unregistered shareholders can trade in the Offer shares.
Second Offering Period	commences on Sunday, 07/07/1436H (26/04/2015G), and continues until the end of Tuesday, 09/07/1436H (28/04/2015) ("the Second offering period"), which allows all the shareholders, who have bought Offer shares during the Trading Period (each of whom is referred to as "the eligible person" and all of them shall be referred as "eligible persons") to exercise their right to subscribe. The Offer shares cannot be traded in this stage.
Rump Shares	The Rump Shares that aren't subscribed in the first and the second stages.

Term or Abbreviation	Definition
Rump Offering	The Rump Shares shall be offered at the offer price as minimum to institutional investors (referred herein as "investment institutions"). These investment institutions must make purchase offer to the Rump Shares. Such offers will be received as of 10 am on Sunday 14/07/1436H (corresponding to 03/05/2015G) and until 10 am of the following day on 15/07/1436H (corresponding to 04/05/2015G). This offering is referred to as ("Rump Offering"). The Rump Shares will be allocated to institutional investors of the top offer and then least and the less. Such shares shall be allocated in proportion to investment institutions that make the same offer. As for fractional shares it will be added to the Rump Shares and will be dealt similarly.
Exercising the Right to Subscribe to the Rights Issue	The persons eligible to subscribe to the new Rights Issue shares
Investment institutions	<p>Include group of the financial institutions as follows:</p> <p>Investment funds established in Saudi Arabia publicly offered and invest in the Saudi securities, if the terms and conditions of the fund allow it to do so, along with compliance with the terms and the restrictions stipulated in the regulation of the investment fund.</p> <p>The authorized persons to deal with the securities in the capacity as a principal along with compliance with the financial adequacy.</p> <p>Companies listed in the Saudi Stock Market through their portfolios managed by the authorized persons, the banking and insurance sectors listed in the Saudi market, in accordance with the regulations issued by the stock market authority provided that the participation of the company shall not lead to any conflict of interests.</p>
Underwriting Agreement	Underwriting agreement concluded between the underwriter and the Company.
Receiving Agents	The entities that receive the subscriptions from the subscribers during the offering phases which are Falcom Financial Services, Samba Financial Group, Al Rajhi Bank, Riyadh Bank, Saudi British Bank (SABB).
Official Gazette	Umm Al-Qura, journal which is the official gazette of Saudi Arabia.
The General Assembly	General Assembly of shareholders in the Company.
Government	The Government of the Kingdom of Saudi Arabia.
Offer price	SAR (10) ten Saudi Riyals per share.
The Share	Common shares with a nominal value of (10) Ten Saudi Riyals in the capital of the Company.
The Nominal Value	(10) ten Saudi Riyals per share.
Saudization	Labor regulations in Saudi Arabia imposed on companies operating in the Kingdom to employ a certain percentage of Saudis.
Equity Market	Saudi stock exchange (Tadawul).
Person	Any natural or legal person according to Kingdom's laws.
Relevant Party	<p>According to the listing and registration rules, it shall mean:</p> <p>Issuer subsidiaries.</p> <p>Major shareholders in the issuer.</p> <p>Board members and senior executives of the issuer.</p> <p>Board members and senior executives of the issuer subsidiaries.</p> <p>Board members and senior executives of major shareholders in the issuer.</p> <p>Legal Adviser and financial adviser to the issuer.</p> <p>Any relatives of persons referred to in (4, 3, 2, 1, or 5) above.</p> <p>Any company controlled by any person referred to in (6, 5, 4, 3, 2, 1, and 7) above.</p>
The Eligible Person or Persons	The shareholders registered in the Company's record at the end of the trading on the day of the Extraordinary General Assembly (registered shareholders).

Term or Abbreviation	Definition
Domination	<p>The ability to influence the actions or decisions of another person, directly or indirectly, solely or combined with relative or subsidiary, via any of the following:</p> <p>Owning a percentage equal to 30% or more of the voting rights in a company.</p> <p>The right to appoint 30% or more of the members of the administrative body. The word "dominator" shall be interpreted accordingly.</p>
Financial Statements	Audited and unaudited financial statements of the Saudi Indian Company for Cooperative Insurance
Rules of Registration and Listing	Rules of registration and listing of issued from the board of the authority under resolution No. (3-11-2004) on 20/08/1425 AH (corresponding to 04/10/2004G), as amended by resolution No. (1-36-2012) dated 11/01/1434H (corresponding to 25/11/2012G).
Financial Year	The year ended on December 31 of each calendar year.
Subscription Proceeds	The total value of subscribed shares.
Subscription Net Proceeds	Subscription net proceeds after deducting the costs of the offering.
Subscription Underwriter	Falcom Financial Services.
Lead Manager	Falcom Financial Services.
Financial Advisor	Falcom Financial Services.
The Board or the Board of Directors	The company's Board of Directors.
The Board of Directors' member	For the joint stock company include the members of the board of directors and as for any other company it shall include any manager or senior manager which is among his tasks to develop and implement the strategic decisions of the company.
Major Shareholder	A person owns (5%) or more of the company's shares.
Shareholder or Shareholders	Shareholders of the company for any given period of a time.
The Founding Shareholders	<p>According to the memorandum of association, the founding shareholders are:</p> <p>The New India Assurance Co. Ltd</p> <p>Life Insurance Corporation of India</p> <p>LIC International (closed)</p> <p>Ahmed Mohammed Abdulrahman Al-Sheikh Foundation</p> <p>Khaled Abdulaziz bin Salamah Trading Foundation</p> <p>Al Saleh Saad Al-kheraigi Trading Foundation</p> <p>Mohsah Trading Foundation to its owner Khaled Mohammed Al-dhubai</p> <p>Saleh bin Ali Al-Shanafey Foundation</p> <p>Turki Hamad bin Shahuan Trading Foundation</p> <p>Fawaz Abdulaziz Alhokair &amp; Co.</p>
Voting Rights	All company shares are of one class and no shareholder enjoys any preferential rights in voting. Each shareholder shall have a single vote and each shareholder owns (20) twenty shares at least shall have the right to attend the General Assembly meetings and vote in it.
Strategic Partners	<p>A Strategic Partner is a company (or group of companies) that has (have) the technical, technological and managerial experience, activity marketing, financial possibilities, and the added value of all aspects to be a partner in the business, activity, or industry in order to develop it and to provide solutions to the problems facing such activity and then play a large and active role in its administration. The strategic partners in Wafa are: The New India Assurance Co. Ltd which owns 10.6%, Life Insurance Corporation of India which owns 10.2% and LIC International which owns 10.2%.</p>

Term or Abbreviation	Definition
Advisers	Parties provide services related to subscription and their names are provided in (vii - viii) pages of this prospectus.
The Actuary	The person who applies various statistical theories and probabilities and on its basis the prices of services are calculated and evaluation responsibilities, liabilities and calculation of reserves.
Subscriber	Anyone subscribing in the Offer sharesOffer shares.
Kingdom	Kingdom of Saudi Arabia.
Financial Market Authority or Authority	CMA in the Kingdom of Saudi Arabia.
Tadawul	An automated system for shares trading in the Saudi Stock Market.
The Saudi Arabian Monetary Agency (SAMA)	The Saudi Arabian Monetary Agency
The International Monetary Fund	It is a specialized agency of Bretton Woods organization affiliated to the United Nations. It was established under an international convention in 1945 to work on strengthening the safety of the global economy. The Fund's headquarters is located in Washington, D.C., and run by its members that include almost all the world countries.
Articles of Association	The Articles of Association of the Company.
Companies' Act	The companies' act issued by the Royal Decree no. (m/6) on 22/3/1385 H and its amendments.
Insurance Company	An insurance company subject to supervision of SAMA.
The council of cooperative health insurance	The council of cooperative health insurance was founded in accordance with the cooperative health insurance act issued by Royal Decree No. (m/10) dated 01/05/1420H (corresponding to 13/08/1999G) and its amendments.
The beneficiary	Natural or legal person benefiting from the proceeds of the insurance policy as a result of certain risks covered.
Systems Compliance Officer	Natural person concerned with organizational work to ensure compliance with all rules and regulations
Cooperation Council	Cooperation Council for the Arab States of the Gulf
Insurance Claims Settlement Officer	A legal person that studies and evaluate the losses and negotiate the settlements on behalf of the insurance company.
Claim Appraiser	A legal personality that studies the insurance risks before insuring it and studying the damages to define the reasons, estimate the value and define the responsibilities.
The person providing insurance and reinsurance services	Natural person authorized to provide insurance and reinsurance services or related works which are permitted in Saudi Arabia. Is a person who works for an insurance company.
Optional reinsurance	An optional reinsurance method on case-by-case basis. The re-insured shall have the option to reject or accept the risks offered for insurance.
Reinsurance of Catastrophes	A type of reinsurance of surplus losses which doesn't exceed a certain level. It compensates the company above a certain level of Catastrophes that were covered.
Proportional Reinsurance	The service provider shall bear a portion of the loss as similar as the benefit it receives from the insurance policy, especially with regard to high-risk and volatile business so it doesn't include life insurance.
Non-proportional Reinsurance (the surplus of loss)	Non-proportional type of Treaties Reinsurance where the insured has to waive some of the risks within certain amounts in excess of the value of the loss, which approved by the insurer (insurance company) to accept it, and the reinsurer undertakes to accept insurance on the assigned risk

Term or Abbreviation	Definition
Claims under Settlement	Claims and incidents that the insured notified the company about and still under inspection and have not been settled or paid, which is equivalent to the value of the losses claimed by the insured, based on the amount of insurance in the policy.
The Costs of Underwriting Insurance	The total cost of underwriting insurance policies including commissions and the portion of the expenses relating to administration and other overhead costs attributable to insurance operations.
Risk Retention	The amount of risk retained by the company in their records compared to the insurance risk waved to the reinsurer.
Retention Rate	Measure of written insurance premiums which is retained by the insurance company and can be obtained by dividing the written net insurance premiums on written gross premiums.
Loss's Rate	The rate of claims incurred to written net premiums.
Self Insurance	The allocation of a regular credit to meet the expected losses for the desired insurance risk by self instead of the company's services.
Technical Provisions (reserves)	Amounts that the company shall deduct and allocate to cover its financial obligations.
The Liquidity Margin	The minimum standard for the financial position of the insurance or reinsurance where the value exceeds the value of assets to liabilities.
Solvency margin	The extent of increase in company's assets that is convertible into cash during its obligations.
Agreement Reinsurance	This happens when the main insurer waives the value or a percentage of the value of securing certain risks to reinsurance company and the recent accepts reinsurance of the concerned risks.
Insurance	Contractual mechanism to evaluate and convert the burden of risk through classification and grouping.
Reinsurance	Reinsurance accepts all or part of the insurance or reinsurance risks that the underwriter shall cover by the direct insurance company that transfer risks under an insurance policy with one or more
The Insured	The natural or legal person who enters into a contract of insurance
The Insurer	The insurance company that accept insurance contracts directly from the insured and compensate the risks suffered by the insured.
The Policyholder	People own insurance policies issued by the insurer.
Insurance Brokers	A legal person, who represents the existing or potential insured persons against a fee in attracting and negotiating the insurance contracts.
Insurance Agency	A legal personal which is against a certain pay represent the insurer to attract insurance contracts, negotiate and conclude it.
Danger	An event that includes loss or may not include a loss but doesn't include any gains.
Risk Insurance Settlement Specialist	A legal body that study and asses the losses and negotiate the settlement on behalf of the insurance company.
The Implementing Regulations	Cooperative insurance companies control act issued by Royal Decree No. m/32 dated 2/6/1424H and the Implementing Regulations issued by Ministerial Decree No. 1/596, 1/3/1425H (corresponding to 21/04/2004G).
Insurance Act	Cooperative insurance control act, its Implementing Regulations and organizational regulations.
Self-employed	Persons authorized to exercise any of the professions of the free professions related to the insurance activity or reinsurance.

Term or Abbreviation	Definition
Fees, Contribution, or Premium	The amount paid by the insured to the insurer for approval by the insurer to indemnify the insured for loss or damage resulting directly from one of the covered risks.
Gross Written Premiums	Gross written premiums (whether or not earned) for insurance contracts concluded or bidding during a specific period, without deduction of the premiums assigned.
Net written Premiums	Net written premiums for the period minus the premium assigned to reinsurers during such period.
Net Surplus (deficit) from the Proceeds of Subscription	The result of minus total costs and expenses from the total revenue
Insurance Depth	Percentage of written gross insurance premiums to the GDP of the State
Insurance Density	Expenditure average per capita on insurance (total written premiums divided by population)
The Subscription Application Form	The application form must be filled out and submitted to underwriters and to submit it to the recipient upon desire to subscribe.
Prospectus	This document prepared by the company in respect of the subscription.
Products	Products and services provided by the company.
Corporate Governance Regulations	Corporate governance regulations in Saudi Arabia, issued by the capital market authority in accordance with resolution No. 1/212/2006 of 21/10/1427H (corresponding to 12/11/2006G) and its subsequent amendments.
Working Day	Any business day of the recipient except Friday, Saturday and public holidays
Credit Rating	Opinion on level of creditworthiness for a body or at the level of creditworthiness of securities, using symbol, letters, numbers or any other form.
The Classified Body	Legal personality which is its credit level is classified explicitly or implicitly in credit rating (including securities issuer to be classified), either at upon it request or not and whether provided the information necessary or not
BBB	Credit rating from the standard poor's reflects sufficient capacity to meet financial commitments. However, when economic conditions are unfavorable or variable, it is likely to lead to a weakened ability to meet financial obligations (medium quality).
S&P	Standard and poor's; an American company specializing in credit rating and develop indicators to measure the performance of the financial markets in different world markets as well as providers specialized studies and analysis for more than 2000 companies listed in the global markets.
-AA	Credit rating by Standard and poor's reflects high credit rating or a high quality level. The negative (-) sign indicates the minimum extent in Group AA (very low risk).

## 2. Risk Factors

In addition to the other information contained in this Prospectus, whoever wishes to invest in subscription shares should carefully study all the information contained in this Prospectus, including the risk factors described below, before making any decision to invest in the shares offered for subscription. Noting that the risks described below do not include all the risks that may be faced by the Company, it is rather possible that there are additional risks not known to the Company at this time, the Company considers non-essential, or they do not hinder its operations, which thus may affect the company's activities, financial position, results of operations, cash flows, and future forward-looking negatively and significantly in case one of the risk factors referred to below occurs.

Also, the Company's members of the Board of Directors stress that, until the date of this Prospectus and to the best of their knowledge and viewpoint, there are no crucial risks, known for them, which if not mentioned, can affect shareholders' decision, except for what has been disclosed in this section.

In fact, investment in the offered shares is appropriate only for investors who are able to assess the risks and benefits of this investment and who have sufficient resources to bear any loss that may result from this investment. Potential investors should refer to a financial adviser licensed from the Capital Market Authority for advice on investing in the offered shares.

In case of the occurrence any of the risk factors the Company believes important in the present time, any other risks that the Company did not determine, or which it considered insignificant at the present time, this leads to a decline in the stock price in the market and then the potential investor losses its full or part invest in these shares.

The risks described below are not listed based on their significance. Besides, the unknown additional risks or those considered non-essential at present, may have the effects described in this Prospectus.

### 2.1 Risks related to the Company's Activities and Operation

#### The Renewal of the Licenses of the Company and its Branches

The company must obtain and maintain all the necessary permits, licenses, and regulatory approvals related to its activities. These licenses include licenses for opening branches that are issued by the Ministry of Municipal and Rural Affairs, the Registration Certificates of the Company and its branches that are issued by the Ministry of Commerce and Industry, the certificates of the Chambers of Commerce, certificates of trademark registration, and certificates of Saudization and Zakat. All the Companies licensed by the General Investment Authority apply for modifying its license depending on any changes in its data, including, for example, a capital increase, adjustment in shareholders' equity, modifying the trade name, or opening branches.

Some of the basic data in the Company's license which is issued by the General Investment Authority No. (10202330317013) dated 26/01/1426H (corresponding to 07/03/2005G) are not modified as follows:

- Modifying the Company name (Saudi Indian Company for Cooperative Insurance) by adding the words "Wafa Insurance", so the Company name is now: the Saudi Indian Company for Cooperative Insurance "Wafa Insurance".
- Modifying the list of founding shareholders in the license, since some of them left the Company.
- Adding the Company's branches in the cities of Jeddah and Al-Khobar.

The company changed its headquarters, which was located in Abraj Al-'Aqariya in Al-'Alia Street to a separate building in Hai Al-Masiaf between exits 5 and 6 in the northern ring road, but the address registered in the commercial registry was not modified to reflect this change, for which the Company may be held accountable by the competent authorities.

The Company has two branches in Jeddah and Al-Khobar. It has been obtained the approval of the Saudi Arabian Monetary Agency for the opening of these two branches by letter No. (27049/2 T/1144) dated 02/08/1429H (03/08/2008G). With regard to Jeddah branch, the commercial registry was not updated to reflect the name of the new branch manager. Also, the membership certificate of the Chamber of Commerce and Industry for 2014G is not issued. As for Al-Khobar branch, the commercial registry is not renewed.

The Company's failure to renew its current licenses, obtain any of the necessary licenses for operation, or if any of its licenses is suspended or expired, or if the renewal of any such licenses is made in inappropriate terms for the Company, or in case of the Company's inability to obtain additional licenses which may be required in the future, the Company's operations may be stopped and refrained from doing its work such as closing branches or not being able to bring non-Saudi staff, which will result in disruption of the Company's operations and incurring additional costs which would negatively affect the Company's results of operations and financial position.

Pursuant to the law of foreign investment and the requirements of the General Investment Authority with respect to



the capital increase, the companies must apply for modifying its license after (1) the issuance of final approval of the Monetary Foundation, (2) the completion of all procedures before the General Investment Authority, and (3) the approval of the Extraordinary General Assembly for Shareholders' of capital increase.

Any obstacle in obtaining the approval of the General Investment Authority will affect the contribution of foreign partners in the subscription process, and thus on the capital increase.

### **Reliance on Key Personnel and the Ability to Hire Qualified Persons**

The company relies on the capabilities and expertise of its staff of executives and other senior staff, therefore the Company's success depends on its ability to maintain these skilled employees and find alternatives if they leave the Company. Also, the Company's success depends on its ability to quickly attract and maintain new qualified personnel.

There can be no assurance that the Company will be able to maintain the services of its employees or raise the level of their labor force when needed. The Company may also need to increase the wages of its employees in order to maintain and attract new staff with appropriate qualifications. The Company's loss of one or more of the services of the members of the senior management or in different sections and departments may lead to disability in application of its strategy, which adversely affect its business, financial position, and results of operations.

### **Vacancy of some Important Positions in the Company**

The Company has seven important vacant positions, namely: the Risk officer, Risk Manager of the Protection and Savings Department, Director of Reinsurance, Reinsurance Officer for Protection and Savings Department, Director of Human Resources and Administration Affairs, Director of Marketing and Sales Department, and the Internal Audit Coordinator. Till the date of this Prospectus, these positions are vacant.

With respect to the Risk officer and Risk Manager of the Protection and Savings Department, the success of the Company and continuity is associated with its ability to assess, manage and monitor the risks on an ongoing basis. Also, article no. (15) of the list of risk management issued by the Saudi Arabian Monetary Agency requires insurance companies to appoint a director of the risks.

As for the posts of Director of Reinsurance and Reinsurance Officer for Protection and Savings Department, their main functions are to deal with the reinsurance records, supervise the Company's commitment to its determined strategy for reinsurance, and inform the Saudi Arabian Monetary Agency about any violation in this regard. The lack of appointment for these two posts is in violation of Article (21) of the Regulations and Article (14) of the Reinsurance Operations Law.

With regard to the vacancy of the post of Director of Human Resources and Administration Affairs, results in delaying the functioning of the human resources and administrative affairs of the Company. The case is the same with vacancies in the senior management and the rest of departments.

With regard to the vacancy of the post of Director of Marketing and Sales Department, the risks associated with it is that the Company's sales and ability to market its products will be affected, thus affecting its market share.

With regard to the Internal Audit Coordinator, his role is to oversee the work of internal auditors in the Company, review their reports and then find appropriate solutions to the notes which may be contained in these reports. Vacancy of this post will lead to weakness in the internal control in the Company as well as the lack of activating the role of the notes that may be contained in the reports of internal auditors in developing the Company's business and improving its performance. The Company is also in a shortage of the Department of Compliance staff, which affects the ability of this department to perform its tasks, and thus affects the Company's performance.

During the vacancy period, the Company's productivity will be affected negatively in case of delay in hiring or in not being able to appoint the person who enjoys the efficiency and expertise required in the candidates to fill these positions, because these positions affect the Company's ability to implement its planned strategies and plans. The Company plans to fill the vacancies immediately after obtaining the letter of no objection from the Saudi Arabian Monetary Agency for recruitment and the completeness of the capital increase process.

## Resent Senior Management

The Senior Management of the Company, despite its considerable expertise in the sector, is recent in working in the company, since the date of joining the senior management is as follows:

**Table 1.2: Date of joining for the Members of the Senior Executive Management of the Company**

No.	Name	Post	Nationality	Age	Appointment Date
1.	Abdul-Rahman bin Abdullah Al-Sahli	Chief Executive Officer	Saudi	50	15/10/2014G
2.	Amin Ibrahim Sabri	Chief Financial Officer	Jordanian	37	11/05/2013G
3.	Adel Idris Mukhtar Mohammad	Director of Medical Insurance	Sudanese	43	05/12/2009G
4.	Rafi Dodigarm	Director of General Insurance Operations	Indian	38	11/01/2012G
5.	Vacant	Human Resources and Administration Affairs	-	-	-
6.	Hammoud bin Abdullah Al-'Anzi	Compliance Officer and Secretary of the Board of Directors	Saudi	27	22/09/2013G
7.	Vacant	Risk Officer	-	-	-
8.	Vacant	Director of Marketing and Sales Department	-	-	-
9.	Riyad Abbas Al-Dokhail	Director of Information Technology Department	Saudi	32	06/10/2013G
10	Vacant	Internal Audit Coordinator	-	-	-

Source: Wafa Insurance

The recent members of the senior management of the Company may lead to a delay in or failure to achieve the Company's objectives and thus may negatively affect its financial results.

## The Risk of not being able to Comply with the Requirements of Saudization

The Ministry of Labor has begun to apply Nitaqat Program which is designed to encourage companies to appoint Saudis and increase their proportion in the total workforce. According to Nitaqat Program, the companies' commitment to the requirements of the Saudization, compared to Saudis in the workforce, compared with the average ratio of Saudization in the operating companies in the same sector.

The Company does not guarantee the continuity in achieving the Saudization percentage required within the prescribed levels of the system. The company may face sanctions in case of non-compliance with the resolutions issued in this regard that may be up to stopping issuing the employment visas for needed workforce for the Company or transferring the sponsorships if the non-Saudi employees or excluding the Company from participating in state competitions. It is also in accordance with Article (5) of the appointment requirements in leadership positions in financial institutions (including insurance companies) which are subject to the supervision of the Central Bank issued by it in Ramadan 1434H, priority in recruitment in leadership positions is for the Saudis, and any company which needs to appoint a non-Saudi in a leadership position has to prove that qualified Saudis are not available to fill the position while determining the time required for its replacement in that position after obtaining a written letter of no objection from the Monetary Agency for the appointment. The Company does not guarantee the approval of the Saudi Arabian Monetary Agency when appointing a position in the future and it does not guarantee the replacement with a well-qualified Saudi alternative. And the occurrence of any of the above would have a negative impact on the Company's business and operation results.

## The Non-Saudi Staff

The government has taken measures to regulate the employment of foreign workers in the Kingdom according to the laws of work and residence, through which it seeks to take actions against companies and foreign employees who do not work for the employer who sponsors them or perform works that do not match their job description according to the residency licenses.

Most of the Company's non-Saudi employees are working in a systematic manner and under the sponsorship of the Company, with the exception of eight (8) foreign employees who are not under the sponsorship of the Company

yet work in it. The Company is about to transfer their sponsorship and correct their status in order to avoid any accountability it may be exposed to by the Ministry of Labor. In case of failure to correct their status, the Ministry of Labor will impose a fine of up to (100,000) one hundred thousand Saudi Riyals for each employee who works in an irregular manner.

On the other hand, the job title in the residency license of some of the Company's employees differs from that contained in their contracts. The Company is working to amend the residency licenses to avoid any accountability it may be exposed by the Ministry of Labor.

In case the Company is fined or sanctions are imposed on it because of non compliance with the Ministry of Labor regulations, this will negatively affect the activity and results of its operations. It also leads to the revocation of the necessary licenses for conducting the Company's activities.

## **Employees' Conduct Risk**

The Company does not have an internal regulations that is approved by the Ministry of Labor, noting that the draft regulation is still understudying by the Ministry, since this regulation includes the organization of matters related to the employees' conduct. The Company cannot guarantee to avoid the employees' misconduct or mistakes such as cheating, deliberate errors, embezzlement, fraud, theft, forgery, or misuse of Company property or acting on its behalf without obtaining the required administrative authorizations. And thus, this may possibly result in consequences, responsibilities, regular sanctions, or financial liability to be burdened by the Company, or which negatively affects the Company's reputation. Therefore, the Company cannot guarantee that the misconduct of its employees will not lead to substantially harm the financial position or operations results.

## **Customers' Focus**

In 2013G, the ten largest customers of the Company formed about 16.3% of the total written premiums, and the Company's largest client (Sarco Company) formed about 4.5% of the total written premiums. The five largest clients form about 12.8% of the total written premiums. The ten largest clients form about 16.3% of total written premiums in that year.

The non-renewal of major customers for their insurance policies, this will lead to lower sales of the Company, especially if the Company was not been able to attract new clients.

## **Customers' Credit Risks**

As stated in Article (6) of the unified document for compulsory vehicle insurance issued by the Saudi Arabian Monetary Agency, insurance companies will be obliged to compensate the party or parties (non-insured) about the consequences of the accidents covered under close third party insurance. The insurance companies has the right to refer to the insured, the driver, or the one responsible for the accident to claim the amounts paid to the non-insured "if this is justified", and therefore referring to the insured, the driver, or the one responsible for the incident to restore the sums paid is embedded with high risks caused by procrastination, or not paying the amounts owed by them, which negatively affects the Company's financial status and operations results.

## **Brokers and Agents' Focus**

The Company's five largest brokers formed 23.8% of the total written premiums in 2013G. The Company also signed an exclusive insurance agency with Wattad Agency for Insurance Co., Ltd. in 2012G, and thus Wattad Company represents the Company in the marketing and sales of all insurance policies for the Company and on its behalf for individuals and companies. The written premiums, through Wattad Co., Ltd., formed about 42.6% of growth in the value of written premiums during the period from 2011G to 2013G. It is also in 2013G, the total written premiums, through Wattad Co., Ltd., formed about (44,000,000) Forty-four million Saudi Riyals, which is equivalent to 22% of the total written premiums in that year. Wattad Co., Ltd. also represents 14.5% of the total receivables as of December 2013G.

In case of the Company's failure to renew its contracts with the agents, this will lead to lower sales of the Company, especially if the Company cannot sign other contracts with brokers or other agents who can bring clients or represent the Company in an optimal way.

## **Contracts with Third Parties**

The Company has concluded contracts and agreements with other parties working in the field of insurance such as contracts for insurance claims settlement, insurance agencies, and Treaties Reinsurance. The company relies on the ability of these parties to fulfill their obligations under the terms and conditions of these contracts and agreements. The Company cannot give any assurance that those parties will be at the level of the aspirations of

the Company, and in case of the Company or the parties' inability to abide by the terms of those contracts or in case of any future disputes and lawsuits and the Company's loss of such disputes, this will negatively affect the Company's financial status, cash flows, operating results, and future aspirations of the Company.

### **Contracts with Related Parties**

The company has entered into certain insurance contracts with related parties, including members of its Board of Directors, its founding shareholders, and subsidiaries of the members of the Board of Directors or its founders. They are as follows:

Until 11/05/2014G, the total value of vehicles insurance contracts that the Company signed with some members of the Board of Directors reached an amount of (43.131) Forty-three thousand one hundred and one thirty SAR, representing about 0.04% of the total written premiums in the first half of 2014G.

On 01/05/2014G, the Company signed a contract to provide actuarial services for one calendar year with Actuscope for Actuarial Services for (540,000) five hundred and forty thousand SAR, which represents about 0.45% of the total written premiums in the first half of 2014G. The relationship between the Chairman of the Board of Directors and Actuscope Company has been disclosed and an approval was obtained from the Saudi Arabian Monetary Agency.

(Please see the sections for "Legal Information and Contracts with Related Parties" For more details about these contracts.

There is no guarantee for the renewal of contracts, at the end of the duration, with the related parties in the future, since it is possible that the Board of Directors or the General Assembly does not agree to renew these contracts or that the related parties may not agree to renew them under the terms of the insurance policies stated by the Company. In view of this, the non-renewal of these contracts may have a negative impact on the profitability of the Company and therefore its business, forward-looking, financial status, or operations results.

### **Sublease**

The Company entered into a sublease of (2683333) two million six hundred and eighty-three thousand three hundred and thirty-three SAR (representing 1.36% of the total written premiums in 2013G) for its headquarters with Al Faisaliah Group Holding Company, which is the main tenant of the property owner. The contract is for a one Hijri year and eleven months commencing from 20/08/1434 H and ends on 07/19/1436 AH. Noting that the main lease did not refer to the issue of subleasing, neither by allowing or blocking. Consequently, there is no guarantee that the owner will not object against the Company's hiring of the building or demanding to end the contract, which could lead to the cessation of the Company's operations in its headquarters and thus it will have to move to another headquarters of high cost, which would have a negative impact on the Company's business, forward-looking, financial status, or operations results.

### **Inadequate Capital**

The Company may need in the future to raise its capital in order to expand its business and commitment to capital adequacy requirements and solvency margin requirements in order to continue in a competitive status. The capital increase in the future is subject to the approvals of regulators like the Monetary Agency and the Capital Market Authority, and in case the Company could not obtain such approvals, it would hinder the Company in keeping up with the growth and commitment to the regulatory requirements mentioned above, which would have a negative impact on the Company's business, forward-looking, financial status, or operations results.

### **Investment Risk**

The operating results of the Company are partly dependent on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including the risks associated with the general economic conditions, the level of volatility in the market, volatility of interest rates in the market, liquidity risks, currency and credit risks, in addition to the political situations. The Company's failure to balance its investment portfolio and its relevance with its liabilities may force it to liquidate its investments in specific times and at unreasonable prices. The investment portfolio is also subject to regulatory restrictions and the lack of certain financial products, such as derivatives, which can reduce the scope of diversity in different asset classes, which can lead to a reduced return on investment. Management of these investments also requires an effective administrative system and high ability to choose quality and diverse investments. The Company's failure to do this may lead to a decrease in its investment revenues which would have a negative impact on the Company's business, forward-looking, financial status, or operations results.

## Inadequate Provisions (Reserves)

The Implementing Regulations for insurance companies control requires that companies should keep provisions to face and cover the financial obligations in accordance with Article 69 of the Regulations. These include the following provisions:

- Provisions for unwritten premiums;
- Provisions for the under-settlement claims;
- Provisions for the expenses of settlement of claims;
- Provisions for the risks that have occurred but have not been claimed yet;
- Provisions for the risks that did not occur;
- Provisions for disasters;
- Provisions for public expenses; and
- Provisions related to protection and savings insurance, such as disability, aging, death, medical expenses, and others.

The process of estimating the required reserves is a difficult and complicated process that includes many factors, variables, and discretionary assumptions such as the profitability of the Company's business, the revenue generated by its investments, the cost of insurance and reinsurance, and the costs of obtaining business. Also, the newness of the Saudi insurance market and the lack of sufficient data on the sector in terms of expertise in claims can affect the Company's ability to develop appropriate and accurate assumptions for certain products. As a result, it may be proven that the provisions are inadequate to meet the insurance claims and therefore the Company may need to increase its reserves, which would have a negative impact on the Company's business, financial status, or operations results.

## Reinsurance Risk

The Company is reinsuring its insurance portfolio with a reinsurance company in order to limit insurance risk in the Company's records. The reinsurance activity is considered a specialized one since usually the reinsurance companies are paid premiums for providing reinsurance coverage and in case of regional or global events that affect the insurance premiums will rise and this will negatively affect the profitability of the company. It is also worthy of mention that in case the Company gets its reinsurance, it will continue to be responsible for those transferred risks if the reinsurer does not comply with its obligations. Therefore, the inability of reinsurers to meet its financial obligations could have a significant negative effect on the Company's operations.

The insurance business undertaken by the Company is focused in vehicles and medical insurance, since they represent more than 89% of the net written premiums as of December 31, 2013G.

There is also a risk that the Company may fail to get the reinsurance services in the market in the future in case of a significant decline in the quality of its insurance portfolio, or when there is a disturbance in the reinsurance market for any reason, which could negatively affect the Company's business.

It should be noted that Article 40 of the Implementing Regulations of the Cooperative Insurance Companies Control states that the company must adhere to the following:

1. Maintaining at least 30% of the total amount of contributions;
2. Commitment to securing 30% of the total contributions, at least, within the Kingdom when performing reinsurance services; and
3. If this is not possible, or if the Company wishes to keep a lesser percentage, it must take the prior written consent of the Agency.

In order to do so, the Company may be required to maintain 30% of the written premiums, which may be difficult or expensive. Thus, losing any reinsurance compensation from reinsurers (either local or international), because of difficulties related to the financial solvency or others, would have a significant negative effect on the Company's business, financial status, and operations results.

It should be noted that some of the reinsurance contracts are governed by laws other than the Kingdom's laws, and in case of a litigation with one of the reinsurers, bodies outside the Kingdom may be chosen for arbitration—which the Company does not know its merits and thus may influence its activity and operations results in case of a judgments against the Company. The Company will change the terms of these contracts, upon renewal, so that they become governed by the laws of the Kingdom of Saudi Arabia.

## **Insurance Activities Focus**

The insurance business undertaken by the Company is focused in vehicles and medical insurance, since they represent more than 89% of the net written premiums as of December 31, 2013G. These sectors are highly competitive, and in case of the Company's inability to expand its clients in these activities or its inability to diversify its insurance portfolio in the future, this would negatively affect the financial status and operations results.

## **Poor Risk Assessment**

The Company is studying the potential risks before issuing insurance policies for the applications based on the actuary expert's reports, however, if the Company poorly assessed the potential risks when issuing insurance policies, the Company would incur financial losses which negatively affects the Company's performance in the future.

## **Risk of Cancellation or Non-Renewal by Policyholders**

The Company operates in a competitive insurance market and since the duration of the insurance policies issued by the Company, in general, is short in nature. The Company may not be able to continue renewing the issued insurance policies or the ones that will be issued in the future as expected, and in case of non-renewal or cancellation by policyholders, the Company's written premiums level in the coming years will be significantly and negatively affected, which will affect the Company's results.

It should be noted that the non-renewal of three customers of their policies in 2013G (Rawahel Al-Masher Co., Bin Sammar Trading and Contracting Co., and Bin Zoumah Company for International Trade and Development) contributed to decrease the total written premiums by 10%.

## **Risks Related to the Translation of Documents**

The Company documents are written in Arabic and are translated from the English language. However, the translation of some items in the insurance documents provided by the Company's are not accurate in terms of clarifying some of the terms contained in the document, which may lead to a dispute between the parties over the interpretation of the meaning of the document. The company asserts that it is reviewing the translation of all documents since it is keen to clarify the terms of the contract with the insured and in commitment to Article (52) of the Implementing Regulations of the Cooperative Insurance Companies Control.

## **Risks Associated with the Board of Directors, Chief Executive Officer, and Members of Senior Management**

During the period from 01/06/2014G till 07/13/2014G three members of the Board of Directors resided, namely: Sushhoban Sarkar, a representative of as a representative of the Indian Company for Life Insurance, and Rambahadran Sredharan Bilay, a representative of the New India Insurance Company Limited, and Thamohadran Ramsami, a representative of Life Insurance Corporation of India. Noting that the reason for the resignation is their retirement from the companies they represent in the Board. And that till the date of this Prospectus, the Company did not appoint alternatives for the resigned members. Since the ownership percentage of each of these companies in the capital represents a controlling stake, the lack of an alternative to replace the resigned members will lead to the absence of these contributors, temporarily, from participating in the significant and influential decision-making and overseeing the Company's business and management.

The case is the same with the Chief Executive Officer or senior management members of the Company, the resignation of the former CEO (resigned on 10/15/2014G) And the appointment of a new CEO (on 10/01/2014G) results in the occurrence of some of risks that can be summed-up in the need for time the CEO will spend in understanding the work of the Company, which may result in some delays in the completion of assigned tasks and thus negatively affect the Company's financial performance.

## **Risks Related to the Company's Losses**

The company recorded accumulated losses of SAR 73.3 million as of September 30, 2014G, which represents 73.3% of the Company's capital. There are no guarantees that the Company would not continue to record additional losses. The Companies Law shows that in case of a joint stock company losses amounted to 75% of its capital, the Board of Directors must to convene the Extraordinary General Assembly to consider the continuation or the dissolution of the Company before the term specified in its by-laws. In case the Company continues to incur losses and the Extraordinary General Assembly decided to dissolve the Company, it is possible that the shareholders will lose all or part of their investment in the Company.



It should be noted that the CMA Board Resolution No. (4-48-2013) dated 01/15/1435H (corresponding to 11/18/2013G) requires the adoption of procedures and instructions for companies which shares are listed in the market and which incurred accumulated losses of more than 50% and less than 75% of the capital, where these companies must announce their financial statements on a monthly basis.

Since the Company has accumulated losses of more than 50% and less than 75% of its capital, it must announce its lists on a monthly basis with effect from 01/07/2014G and not exceeding 10 days of each month. Tadawul website also shows a yellow mark that appears next to the Company's name to signify that case. If the Company did not comply with the required reports, it may be subject to accountability and punishment, which leads to a negative impact on the activities and operations results.

In case the Company's losses more than 75% and less than 100%, the Company's shares would be suspended from trading for one session after announcing the Company on Tadawul website. An off-set shall be executed within two working days for full two fiscal years succeeding the fiscal year in which the accumulated losses of the company reached 75% or more of its capital. Also, the Company has to prepare and disclosure Plan on Adjustment of Financial Position during a period not exceeding 90 calendar days after the issuance of the announcement. Announcing the details of implementation of the plan shall be on a quarterly basis. It must also announce its statements on a monthly basis not exceeding 10 days of each month.

In case the Company's losses exceeds (100%) of the capital, the Company's shares will be suspended from trading and will be handled through the depository. An off-set shall be executed within two working days for full two fiscal years and as per the same conditions of the announcing the monthly statements, preparation, and disclosure of the work-plan mentioned above for the losses between 75% and 100% (for a summary of the procedures and instructions issued by the Saudi Stock Exchange (Tadawul) for the companies which accumulated losses reached 50% or more of its capital, please refer to: "section 6: Management Discussion and Analysis of the Financial Position of the Company and its Operations Results").

## **Risks Related to the Operating Systems and Information Technology**

The Company relies on IT systems for operating. Although the Company takes the necessary security measures to protect its technical systems, it may be exposed to the risk of malfunction, including the collapse of the system, failure of the protection systems, penetration of the Company's systems, viruses, human errors, natural disasters, fires, communication errors, and lack of skilled labor necessary for the operation and management of these systems. In case of a significant malfunction or frequent failure, the revenue will be negatively affected and the Company will not be able to issue its periodic financial reports in a timely manner, which exposes it to accountability and punishment and therefore affecting its operation results, especially if the Company was forced to announce its financial statements on a monthly basis (Please refer to the section of "Legal Information" for more details on the agreements related to information technology contracts).

## **Risks of Rating**

The Company may not get a good rating if the risks embedded in it are higher than the conventional limit in the insurance market, which would negatively affect the Company's business. In addition, the Implementing Regulations of the Cooperative Insurance Companies Control requires that companies, in case of reinsurance, should choose a reinsurer that holds a minimum rating of BBB from the credit rating agency Standard and Poor's (S&P) or an equivalent insurance of one of the international well-known rating agencies. But if the reinsurer obtains a rating less than or equivalent to (BBB) at minimum, the Company should obtain the written approval of the Saudi Arabian Monetary Agency. In case it could not get this approval, it must stop its reinsurance arrangements with this low-rating Company, which will increase the burden on the Company and exposes it to more risks which are the inability of low-rating reinsurers to abide by their obligations and therefore may negatively affect the Company's financial status and operational results.

## **Efficient Management Policies Risks**

Management Policies Risks are based on the observation of the historical behavior of the market, therefore, these policies may not be able to accurately predict the potential future risks, which may be greater than those that have been deduced through the historical means. In light of the scarcity of adequate data available on the Saudi insurance market, this information may not be accurate, complete, up-to-date, or have not been evaluated properly in all cases. The company policies, procedures, and internal controls may not be fully effective in all circumstances and conditions, which will lead to obtaining inadequate information in order for the Company to assess the risks it may be exposed to in a correct way. As a result, the high level of risks exposed to the Company will significantly and negatively affect its financial status and operational results.

Also, one of the generally accepted practices among insurance companies is to use various financial instruments and investments for the purpose of reducing the risks associated with its business. The Company must, in such

cases, obtain the approval of the Saudi Arabian Monetary Agency before the use of such financial instruments. Accordingly, in case of failure to obtain the approval of the Saudi Arabian Monetary Agency, this will limit the means available to the Company to manage these risks in the future. In the case of using any of them without the approval of the Saudi Arabian Monetary Agency, the Company shall be exposed to various sanctions contained in the regulation, including the revocation of the license.

It should be noted that the position of Director of Risk Department for the Protection and Savings Branch is still vacant until the date of the Prospectus, which exposes the Company to a variety of risks that negatively affect its ability to cope with future risks and on its performance and financial status.

## Prosecutions and Disputes

The Company may be exposed to prosecutions and lawsuits related to its insurance operations and disputes and claims related to the insurance cover. The Company does not guarantee that disputes with policyholders will not arise, which could lead to filing lawsuits before the competent judicial authorities. As a result, the Company may be subject to governmental or administrative audits, investigations, and pleadings in the context of new regulations on the insurance sector in the Kingdom. The Company cannot predict the results of these audits, investigations, and pleadings and cannot guarantee these audits, investigations, or lawsuits will negatively affect the Company's business, financial status, and operations results. The Company, also, cannot accurately expect the exact cost of these prosecutions and proceedings that it may file or be filed against it, the final results of these lawsuits, or the judgments issued including the compensations and penalties. Therefore, any negative consequences of such lawsuits will negatively affect the Company.

Till the date of this Prospectus, the total value of claims in the lawsuits filed against the Company reached about (2420247) two million four hundred and twenty thousand two hundred and forty-seven SAR (amounting for about 1.2% of total written premiums in 2013G) detailed in the following table:

**Table 2.2: The lawsuits filed against the Company as at the date of this Prospectus**

The Prosecutor	Date	The Amount	The Judicial Body	The Current Status of the Case
The lawsuits filed against the Company related to demanding the Company for compensations for damage to vehicles and the value of medical insurance costs	18/05/1434H Corresponding to 29/03/2013G	SR 53.860	The Committee for Settlement of Disputes and Insurance Violations Riyadh Committee	The Company filed an appeal
	12/12/1434H Corresponding to 17/10/2013G	SR 47.395	The Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company filed an appeal
	10/08/1434H Corresponding to 19/06/2013G	SR 13.060	The Committee for Settlement of Disputes and Insurance Violations Riyadh Committee	The Company filed an appeal
	15/10/1435 AH Corresponding to 22/08/2014G	SR 120.690	The Committee for Settlement of Disputes and Insurance Violations Riyadh Committee	The hearing appeal is still going in the Committee
	11/03/1432H Corresponding to 14/02/2011G	SR 100,000	The Committee for Settlement of Disputes and Insurance Violations Jeddah Committee	The Company filed an appeal
	12/09/1433H Corresponding to 07/31/2012G	SR 28.422	The Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company filed an appeal



The Prosecutor	Date	The Amount	The Judicial Body	The Current Status of the Case
	14/02/1435 AH Corresponding to 18/12/2013G	SR 31,000	The Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company filed an appeal
	18/06/1433H Corresponding to 09/05/2012G	SR 10.820	The Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company filed an appeal
	20/03/1435 AH Corresponding to 21/01/2014G	SR 2,000,000	The Committee for Settling Disputes and Insurance Violations	The decision was made for the benefit of the Company's by dismissal of the prosecution and the other party lodged an appeal against the preliminary decision.
	04/12/1431H Corresponding to 10/11/2010G	SR 15,000	The Committee for Settlement of Disputes and Insurance Violations Jeddah Committee	The decision was made for the benefit of the Company's by dismissal of the prosecution and the other party lodged an appeal against the decision.
Total prosecutions against the Company	SR 2,420,247			

Wafa Insurance

## Trademark Protection

The Company has a registered trademark. The Company's competitive situation may depend on its ability to use its name and logo optimally through its marketing tools, and in case of the Company's inability to prevent violations of its brand rights, this will negatively affect its brand and consequently affects the Company's operational results.

It should also be noted that the Company signed an exclusive agreement insurance agency with Wattad Agency for Insurance Co., Ltd., and thus Wattad Company represents the Company in the marketing and sales of all insurance policies for the Company and on its behalf for individuals and companies. It also has the right to use the Company logo of Wafa Insurance and its brand. In case Wattad company abuses representing the Company before the clients, it will affect the Company's reputation, and therefore will negatively reflect its sales and operations results.

## Risks of Differences of Zakat Amounts

The Company may be exposed to the obligations arising from the differences in the method of calculating the amount of Zakat. Previously, the Company filed an opposition to the Department of Zakat and Income about subjecting the statutory deposit to the Zakat tax. The Company has filed an opposition to the Primary Objection Committee of Zakat Tax on 02/09/1435H (corresponding to 29/06/2014G), since the amount of Zakat required is more than the value that the Company calculated, which is about (174,000) one hundred and seventy-four thousand Saudi Riyals, and in case of failure to win its objection, the Company will pay that amount.

## Risk of High Salaries

The employees' salaries and the related expenses were the main factor in the general and administrative expenses of the Company in 2011G, 2012G, and 2013G, since they represented 64%, 79%, and 85% respectively of the total general expenses. The total wages and salaries were increased per employee from (146,000) one hundred and forty-six thousand SAR in 2011G to (SAR 170,000) one hundred and seventy thousand Saudi Riyals in 2013G since the Company, during the past two years, appointed a number of directors of departments in the vacancies resulting in higher salaries expenses significantly from SAR 12.3 million in 2011G to SAR 18.3 million in 2013G. Although the salary level within the Company remains at the market level, but any reason to increase salaries in the future will increase the general and administrative expenses of the Company and therefore would negatively affect the Company's operational results.

## 2.2 Risks Related to the Market and the Legislative Environmental

### The Cooperative Insurance Companies Control Law and Implementing Regulations

The Company is subject to the rules and regulations prevailing in the Kingdom, which include the Companies Law, the Cooperative Insurance Law, and their Implementing Regulations, as well as the supervision by the Saudi Arabian Monetary Agency. The Agency is responsible for regulating the insurance sector in the Kingdom, including the policies, rules and licensing, competition, allocation of investment, service standards, technical standards, and settling arrangements.

Since the Saudi insurance market is one of the new and evolving markets, this may limit the Company's ability to respond to market opportunities and may force it to incur large annual expenses to comply with the regulations and statutory regulations. Therefore, the Company cannot guarantee that the regulations or regulatory framework of the insurance sector in the Kingdom will not see further changes that may significantly or negatively impact on the Company's business, financial status, or operations results.

Also, if the Company does not comply with the regulations and rules in force, it will be subject to penalties including fines, suspension of business, and revocation of the license for operating in the insurance business, which would negatively affect the company's operations and results of operations.

It should be noted that the Company will comply with the following provisions of the Implementing Regulations of the Cooperative Insurance:

- A. Commitment to the minimum assets included (100,000,000) one hundred million Saudi Riyals (Wafa company has a deficit estimated at SAR 92.8 million as of June 30, 2014G)
- B. Commitment to 20% as the maximum of assets classes of the total assets (investments and regular deposits amounted for 24.6%, credited premiums and other receivables 22.2%, and recoverable reinsurance premiums 24%).

These items related to the process of capital increase, which is the subject of this Prospectus.

### Solvency Requirements

According to Articles no. (66), (67), and (68) of the Implementing Regulations of the Cooperative Insurance Companies Control, companies shall retain certain levels of solvency for the various types of businesses. The Saudi Arabian Monetary Agency imposes on the insurance companies that are not committed to appropriate levels of solvency a series of actions to adjust their conditions, including:

- A. Increasing the company's capital;
- B. Price adjustment;
- C. Reducing costs;
- D. Stop accepting any new subscription;
- E. Liquidating some assets; and
- F. Any other action the company deems appropriate and is approved by the Agency.

In case of the company's inability to meet the requirements of solvency for a period determined by the Agency, and after taking the above actions, the Agency may appoint an adviser (to provide advice as needed) or the revocation the company's license in accordance with the provisions of Section (D) of Clause (2) of Article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control.

It should be noted that the margin of solvency may be mainly affected by the reserves that must be maintained, which, in turn, are influenced by the size of the sold insurance policies and the regulations for determining the statutory reserve. This is also affected by many other factors, including profit margin, return on investment, and cost of insurance and reinsurance. If a company continues to grow quickly, or if the required limit for solvency is increased in the future, the company may have to increase its capital to meet the required solvency limit, which could lead to inflation of the capital. If the company was not able to increase its capital, it may be forced to limit the growth of its activities and therefore not to declare any dividends. This may also result in the application of penalty proceedings against the Company up to the revocation of its license in some exceptional cases.

The Saudi Arabian Monetary Agency may regularly request additions or modifications to the solvency margin requirements, which may lead to a negative impact on results of operations and its financial status through sparing additional allocations.

The company's ability to effectively manage risks and pricing of products suitably to maintain the solvency margin required is a major challenge.

## Risks Related to Governance

The Agency Board Resolution no. (3-40-2012) dated 17/02/1434H (corresponding to 20/12/2012G) compels the companies listed on the Saudi Stock Exchange (Tadawul) pursuant to paragraphs (C) and (C) of Article 10 of the Rules of Corporate Governance, starting from 30/06/2013G. Till the date of this Prospectus, the Company did not comply with the adoption of the policies and procedures for the appointment of Board of Directors members, tasks and responsibilities of the Board, and the internal governance regulation of the Company. The lack of commitment to the Authority's Board will expose it to the penalties prescribed by the Agency, and consequently affects its financial status and operational results.

## The Required Reports

The Insurance System and its implementing regulations require companies to submit to the Saudi Arabian Monetary Agency financial statements and annual reports, on a regular basis, that are prepared according to certain systematic accounting principles and other information, including information about the processes related to the general activity of the company, capital structure, ownership, and the financial status of the company, including a yearly statement of the total emergent paid commissions. The Company may be subjected to procedures, penalties, and fines if the Saudi Arabian Monetary Agency decided that the company failed to comply with any of the rules, regulations, and directives in force. Accordingly, any failure to comply with these rules, regulations, and instructions will lead to the imposition of restrictions that limit the company's ability to conduct business or imposing large fines that negatively affect the company's financial status and operational results.

The company may be also subjected to penalties and fines, in case of its failure to fulfill the requirements of the Capital Market Authority and the Listing Rules in force in the Saudi Stock Exchange (Tadawul) and thus negatively affect its financial status and operational results.

## The Risk of Revocation the Insurance Activities License

The Company has been licensed to practice insurance activities by the Saudi Arabian Monetary Agency dated 06/06/1429H (10/06/2008G) based on certain conditions that the Company have, or will, fulfill it in the future. The license ends on 04/06/1438H (corresponding to 03/03/2017G). In case of the Company's inability to continue fulfilling these conditions, its license will be cancelled.

Article (76) of the Implementing Regulations of the Cooperative Insurance Companies Control gives the Saudi Arabian Monetary Agency the right to cancel the license in the following cases:

- A. If the company does not exercise the licensed activity within six months from the date of issuance of the license;
- B. If it does not meet the system or regulations requirements;
- C. If it is clear to the Agency that the company deliberately provided the Agency with incorrect information at the request of the license;
- D. If the company goes bankrupt;
- E. If the company has exercised activity in a fraudulent manner;
- F. If capital fell below the specified minimum;
- G. If the insurance activity dropped to a level that the Agency views ineffective in terms of performance;
- H. If the company unlawfully refused or delayed payment of payable claims;
- I. If the company prevented the inspection team assigned by the Agency from performing its mission in examining its records; and
- J. If the company refrained from implementing a final judgment rendered against it in any of the insurance disputes.

In case of the revocation of the license of the company, it will not be able to continue to operate lawfully in the Kingdom of Saudi Arabia. As usual in most of the insurance companies, the Saudi Arabian Monetary Agency granted temporary approvals for certain products, as is the case for the Company, and if the Company cannot obtain renewals of the temporary approvals or obtain final approvals, this will affect the Company's ability to provide full insurance products and thus leads to obtaining a less market share for these products, which would have a negative impact on its sales and operational results.

It should be noted that it is an accepted practice that insurance companies use various financial instruments and investments for the purpose of reducing the risks associated with its businesses. In these cases, the company must obtain the approval of the Saudi Arabian Monetary Agency before using such financial instruments. Accordingly, in case of using of any of them without the approval of the Saudi Arabian Monetary Agency, the company is exposed to the various penalties contained in the regulation, including the revocation of the license.

## **The Risk of the Insurance Market Growth**

Unexpected factors may appear and hinder the growth of the insurance market that is supported by oil revenue and the ongoing massive infrastructure projects under development in the Kingdom. Despite the governmental attempts to diversify the economy, the Saudi economy is still dependent on oil. Therefore, the Kingdom revenues remain vulnerable to fluctuations in oil prices. The financial plans, too, remains vulnerable to forces outside the government control scope. This could constitute a barrier to continued growth of the industrial and residential projects. In case of a fluctuation in the economy as a result of these fluctuations, the insurance activity in the Kingdom will be negatively affected, thus negatively affecting the activity of the company, financial status, and operational results.

## **Commitment to the Council of Cooperative Health Insurance Regulations**

The medical insurance products are subject to the regulations of the Council of Cooperative Health Insurance after approval by the Saudi Arabian Monetary Agency. The Council of Cooperative Health Insurance monitors the companies and ensures their compliance with the requirements organizing the process of providing medical insurance products. The lack of the company's commitment to the regulations and the rules of the Council exposes it to accountability, fines, or possibly the revocation of the approval license for providing medical services products, which significantly affects the company's businesses.

## **Limited Historical Data of the Market**

Although the Saudi market is not new to the concept of insurance, but it was only organized since a while ago. Therefore, the historical information and data required to accurately build the insurance schedules is not collected or provided. Because of this, insurance companies depend in the estimation of losses and assessing premiums on estimations that may not be at the desired level of accuracy and thus may increase the proportion of the risk of insurance portfolios, which will lead to losses incurred by the Company.

## **The Risk of a Lack of Cultural Awareness of the Importance of Insurance in Saudi Arabia**

The society's perception of the insurance sector is a key factor for the success of the sector. Thus, there is a risk that this perception, in general, since the community sees that the sector does not play an essential role or works in a scope of services that does not correspond with the core of solidarity and Shari'ah. The society may lose its confidence in the sector, and this will negatively affect the Company's financial status and operational results.

## **Competition**

The competitive environment in the insurance sector is increasing steadily since the number of licensed insurance companies is 35 (as at the date of this Prospectus) that compete to increase their market shares. There are no guarantees that the Company will be able to achieve or maintain any specific level of premiums in this competitive environment. The cut-throat competition may lead to the occurrence of a negative effect on the Company's businesses and forward-looking as well as its financial status, through:

- A. Low profit margins;
- B. Slowdown in the company's customer base and sales growth;
- C. Decline in market share;
- D. Loss of the members of senior management;
- E. Inflation the operational expenses such as marketing and sales expenses; and
- F. Increase of the costs of obtaining insurance policies.

## **The Impact of the Clients' Trust Decline**

The client's trust in the insurance industry worldwide is of extreme importance in enhancing the strength of this sector, since any decline in the client's trust in the insurance industry in general or his trust in the Company may lead to a rise in the number of cancellations of the insurance policies and getting refunds, which negatively affects sales of products and thus negatively affects the Company's sales and financial status.

## **Obtaining the Necessary Approvals for the Offering of New Products or Renewing the Current Products**

According to the Cooperative Insurance Companies Control and its Implementation Regulation for offering new insurance products or renewing current products, companies must obtain the approval of the Saudi Arabian Monetary Agency before marketing or offering any new product that did not obtain an approval for renewal. Any delay with respect to obtaining approvals for new products or renewal of approvals of current products will affect the company's business and operational results.

## **Unexpected Disasters Risks**

The insurance operations on the industrial facilities and residential and commercial buildings form about 5.8% of the subscribed total premiums in 2013G. The portfolio may be exposed to losses due to disasters since it covers risks of property. Disasters may be caused by many reasons, both natural and unnatural, so that they occur in an unpredictable way, such as blizzards, sandstorms, floods, winds, fires, explosions, industrial accidents, and terrorist attacks, which could give rise to a deficit of coverage.

The extent of the losses caused by disasters is the result of two things:

- A. The total insured amount at risk in the affected area of the incident; and
- B. The severity of the incident: Disasters could cause losses in a variety of types of property and liability insurance. The claims related to disaster will lead to large fluctuations in the financial results of the Company in the quarter fiscal year or the fiscal year. Also, the severe disaster events will have a negative effect on the financial status of the Company and the results of operations, especially if reinsurers are not able to abide by their obligations.

## **Risks Related to the Economic Conditions and the Conditions of the Insurance Sector**

The financial performance of insurance companies largely depends on the local economic conditions within the Kingdom as well as global economic conditions that affect the economy of Saudi Arabia. The unstable global economic situation and low oil prices significantly constitutes an influential factor on the Kingdom economy; and since the economic performance of the Company is, somehow, related to the economic status in the Kingdom and the world, the Company's financial results may be affected by the changes that may occur, which may result in a decrease in demand on the Company's products and services. In addition, premiums and claims trends in the insurance markets are considered volatile in nature and unforeseen events such as natural disasters, increased inflation rates, and competition affect the size of future claims and thus negatively affect the earnings and revenues of the insurance companies.

Also, the decline in oil prices significantly affects the local income, economic activity, and incomes of individuals and thus leads to the inability of individuals and companies to obtain insurance products such as those provided by the Company, and consequently reduces the Company's sales affects its financial status.

The high rents, which are affected by economic variables in the UK will lead to higher costs on the company, the company changed its affiliates sites to other places, and the transition to other branches will lead to a slowdown in the company's business until the completion of the transition process, and thus negatively influences its sales and results of operations.

## **Political Risks**

The tense political situation in the Middle East may negatively affect the Kingdom economy, and therefore affects the ability of the Company's clients to renew their policies or the Company's ability to obtain new clients, which thus negatively affects its revenues, profits, and results of operations. Such risks can have a negative impact on capital markets and thus will lead to a substantial negative impact on the Company's share price and the loss of the investor to the full or part of the value of his investment.

## **Risks Related to Restrictions on the Ownership of the Insurance Companies**

Shareholding in insurance companies is subject to certain restrictions imposed by the Cooperative Insurance Companies Control System and its Implementing Regulations on the insurance companies. In accordance with Article (9) of the Cooperative Insurance Companies Control and Article (39) of the Implementing Regulations, insurance and reinsurance companies may not merge, own, control, or purchase shares in other insurance and reinsurance companies without obtaining the prior written consent of the Saudi Arabian Monetary Agency. And in commitment to Article (38) of the Implementing Regulations, the company should inform the Agency about any person who owns (5%) or more of the company's shares through a quarterly report that is prepared by the company. The same person should inform the Agency, in writing, about his owned share or any change in his ownership within

five days from the date in which this change occurs.

These restrictions would reduce the Company's opportunities in attracting financial investors or strategic partners in case of the Agency's refusal or delay in the issuance of the required approval or imposing conditions that are not within the Company's ability, which could result in a negative effect on the Company's operations.

### **Risks of Uncontrolled Prices**

The Company is committed to follow the recommendation of the actuary reports and the Saudi Arabian Monetary Agency instructions. The recommendations of those reports and instructions of the Saudi Arabian Monetary Agency may require changing the prices of the Company's policies. The high price of one of the Company's products might lead to a lack of its attractiveness and draws customers to other companies.

For example, the Company has raised prices for compulsory vehicle insurance by 63% based on the actuary's recommendation as a result of the losses resulting from such insurance policies. The rise has led to a decline in market share for vehicle insurance as a result of fierce competition in that activity. Any change of the rates in the future could affect the Company's market share and thus its sales and operational results.

### **The Lack of Qualified Local Personnel in the Insurance Sector**

The personnel available in the local market may not meet the Company's needs of experienced staff. If the Company fails to attract qualified personnel from the local market, it would be compelled to bring staff from outside the Kingdom. But the Company cannot guarantee that it will be able to obtain a sufficient number of work visas required by the Ministry of Labor of the Kingdom, especially in light of the requirements of Saudization which creates high competition between insurance companies in the Kingdom to train its personnel, maintain, and attract well-experienced personnel from the domestic market resulting in increased salaries that may constitute an additional burden on the Company. According to article 5 of the appointment's requirements in leadership positions in the financial institutions (including insurance companies) under the supervision of the Monetary Authority which was issued in Ramadan 1434 as the priority appointment to leadership positions will be to the Saudis, and the company that need to appoint non-Saudi in a leadership position will have to prove lack of qualified Saudi fill the post along with defining the time to replace him after obtaining the written letter of no objection from the Saudi Arabian Monetary Agency. The Company doesn't guarantee that the Saudi Arabian Monetary Agency will approve to appoint any future positions and doesn't also guarantee the replacement of Saudi with high efficiency.

The inability of the Company to attract and maintain qualified personnel will hamper the implementation of Company's strategies for growth and provide competitive products in the insurance market, which would negatively affect its business.

It should be noted that the Saudi Arabian Monetary Agency issued the circulation no. (38639/MT/1051) on 03/08/1430H (corresponding to 25/07/2009G) on the mandatory to obtain Insurance Foundation Certificate Examination (IFCE) for certain employees of insurance companies. In the year of 2014G twenty (20) of the Company's personnel applied to obtain IFCE and only six out of them obtained it. The rest will be required to take the test again. If they fail again, they won't be working in the Company and which will lead to shortage of personnel and thus will affect the Company's business and the operating results.

### **Insurance Business Risk**

The acceptance of insuring the risk is a matter of discretion. It includes important assumptions related to unpredictable matters by its nature. It is beyond the Company's control, so that an analysis of the historical experience and the likelihood won't provide sufficient indicator. Error in calculating the net risks facing the Company can have a substantial negative impact on the financial position and the results of its work.

There are risks related to the inability of the Company to obtain reinsurance services in the future. The insolvency, inability or unwillingness of any of the reinsurers, that the Company does business with them currently or to contract them in the future, to pay their financial payments on time or failure to comply with the provisions of the Treaties Reinsurance concluded will have a negative impact on the Company's business and its operating results.



## 2.3 Risks Related to Risks

### Major Shareholders' Domination

Shareholders who own a large number of the Company's shares will, together, be able to influence most issues that require shareholders' approval. Whereas the share of senior the shareholders have not changed since the Company's incorporation, which will lead to a coalition of these shareholders with other shareholders to influence the important decisions, in particular, will be able to influence decisions that require the approval of the Company's shareholders, including the approval of major expenditures, appoint and sack of the members of the Board of Directors (with the exception of article (69) and (70) of companies act and Article (18) on the rules of governance) which provides that the board of directors' member shall not have any direct or indirect interest in participating in the business or contracts concluded in the favor of the Company unless obtaining the annual consent of the General Assembly.

### The Risk of the Non-exercising the Subscription Rights or Selling them by Major Shareholders

The lack of subscription by major shareholders in the Rights Issue will lead to a decline in their shares and may give the impression of the unattractiveness of the Company's shares, and therefore, many other shareholders will sell their shares. The selling of the major shareholders to their shares after the subscription process requires the Saudi Arabian Monetary Agency approval. Until that date of this prospectus none of the major shareholders made obligation in writing to subscribe to the Rights Issue, the subject of this Prospectus.

### Distribution of Dividends

The distribution of dividends in the future depends upon on several factors including the financial position, future dividends, capital's requirements, distributable reserves of the company, general economic circumstances and any other related factors upon the discretion of the board of directors of importance from time to time. So the company doesn't warrant in any way the distribution any dividends in the future.

### The Risk of Possible Fluctuations in Share's Price

The market share's price of the Company during the period of the Rights Issue offering is not an indicator to the market price after the end of the offering. The Company's share price could be non-stable and the share price may be subject to significant fluctuations due to changes in the market trend with respect to Rights Issue or shares of the company, and in addition, such fluctuations may result due to many factors, including but not limited to stock market conditions, or changes in the conditions, trends in the sector, the deterioration of the company's performance, the inability to implement future plans, the entry of new competition and advertising companies by the company or its competitors regarding mergers and acquisitions, strategic alliances, joint ventures and changes in estimates of financial performance through experts and securities analysts.

The sale of a large number of shares in the stock market or anticipate such process may negatively affect share prices in the market in general and the Company's shares in particular, moreover, there could be no demand for shares of the company in the market when investors want to sell.

There is no guarantee that the market price of the shares won't be less than the issue price. This is conducted after the exercise of the rights by investors to the Rights Issue, so such exercise couldn't be repealed or amended, so investors may suffer from unrealized losses immediately. Furthermore, there is no guarantee that the investor will be able to sell his shares at a price equal to or higher than the issue's price after the exercise of the Rights Issue.

### The Risk of Possible Fluctuations in Share's Price

The market price may be subject to significant fluctuations Rights Issue due to a change in market trends with respect to the shares of the company. These fluctuations could be significant due to the different scope of change allowed for Rights Issue trading prices compared to the allowable change scope for the shares. Moreover and due to the price of trading the Company's share and the Company's perception to the Rights Issue share's price, as such factors and other factors mentioned in the risk factor mentioned above "the risk of possible fluctuations in the share's price" could influence the Rights Issue price.

### The Lack of Demand on the Rights Issue and Company's Shares Risks

There is no guarantee of sufficient demand on the Company's Rights Issue subscription during the Rights Issue Trading Session in order to enable the Rights Issue holder (whether a registered shareholder or new investor) including selling the preemptive right and make profits or to enable the shareholder to completely sell it. Also, there

is no guarantee that there will be sufficient demand on the Company's share by the investment institutions during the remaining offering period. If the investment institutions didn't make offers to the remaining shares by a higher price, there mayn't be sufficient compensation to distribute it on the holder of the non-exercised Rights Issue. Moreover there is no guarantee that there will be a sufficient demand on the subscribed shares in the market either: (A) through exercising the Rights Issue of these shares, (B) through the remaining offering, or (C) from the open market.

### **Rights Issue Trading Risks**

The speculation in the Rights Issue subject to risks that could lead to substantial losses. That change allowed for Rights Issue trading prices ("Indicative Right Value") to exceed the percentage that the shares prices are subject to (10% up or down). There is also a direct relation between the Company's share price and the Indicative Right Value. Therefore, the daily price limits for trading the right is affected by the daily price limits to the trading of the share.

If the eligible person does not sell the Rights Issue before the end of the trading period of such rights, he will have to use such rights to subscribe to the new shares to avoid the dilution of his shares. Therefore, investors should review the full details of the listing and trading rights mechanism, and the way it works and have the full knowledge of all the factors affecting them, to make sure that any investment decision will be based on full awareness and understanding.

### **Dilution Risks**

If the Rights Issue holder didn't subscribe with all of their rights in obtaining new shares in the offering, their shares, and the voting rights attached thereto, shall be diluted. There is no guarantee if the Rights Issue' registered holder decided to sell his Rights Issue during the Trading Session that the return to be received will be sufficient to fully compensate for the dilution of his shares as a result of its capital increase.

### **Risks of Non-Exercise of the Subscription Rights at the Appropriate Time**

Eligible shareholders must act to ensure that all the required exercise instructions and certificates that are received before the expiration of the exercise are received. If the Rights Issue holders failed to follow the procedures applied on subscription in the Rights Issue properly, the request to subscription could be rejected "kindly review the conditions and instructions of the subscription". If the eligible shareholders failed to exercise subscription rights properly by the end of the second offering period, on the basis of what they own of Rights Issue, so there is no guarantee that there is no guarantee that it will be a compensation divided on the eligible shareholders who didn't participate or subscribe properly and therefore, it will lead to the decline in their ownership percentage.

### **The Expiration of Ban Period on the Shares**

During the founding of the Company and listing on 08/12/1428 H corresponding to 25/08/2007G the founding shareholders who collectively constitutes 60% ownership of the Company's shares for the ban on trading in their shares period of three financial years which have elapsed after the publication of the financial statements of 2011G and the founding shareholders are entitled to dispose their shares after obtaining the approval of the Saudi Arabian Monetary Agency and CMA. The Company have obtained the approval of the Saudi Arabian Monetary Agency and CMA on the lifting the ban on the sale of shares of (7) founding shareholders not including major shareholders who remain owners in the company. The purchasing or sell of more shares by the founding shareholders will influence the Company's share price.

### **Risks Related to Future Data**

Some of the data provided in this prospectus constitute future data and include known and unknown risks in addition to some uncertain matters that influence the results of the Company. These data include but are not limited to, statements concerning the financial position, business strategy, Company's plans and objectives for future operations (including development plans and objectives for the company's services). If any of the assumptions are inaccurate or incorrect, the actual results may vary significantly from the results described in this prospectus and may result in the loss by investors to all or part of the value of their investment.



## 3. Information about the Market and Sector

### 3.1 Introduction

The information contained in this prospectus related to the insurance sector and other information related to market where the Company operates from different sources. The Company conducted the reasonable investigations to verify the sources. However the Company or any of its consultants who are their names are stipulated in the pages (vii-viii) any reason to believe the presence of non-valid information in its essence but the accuracy of these information aren't verified independently by any person and no confirmation can't be submitted on its verification or completing it by any person. These sources include:

- Estimates and projections of the company
- Information and analysis of the insurance industry and economy which was obtained from sources and materials produced by third parties and available to the public and can be obtained via the Internet and no request for approval to use these information in this prospectus is made, which include the following sources:

#### A. The Saudi Arabian Monetary Agency (SAMA)

The Saudi Arabian Monetary Agency was founded on 1372H (corresponding to 1952) and the foundation concerns to main functions including issuing the national currency, deal with banking affairs, supervising commercial banks operating in KSA, managing KSA foreign exchange reserves, the development and implementation of monetary policy to maintain price stability and exchange rates, promoting the growth of the financial system and ensuring its soundness, regulation business of insurance, reinsurance companies and service providers companies and its supervision. The report of Saudi Insurance Market of 2013G was used in this prospectus and it can be obtained via the internet and therefore, no written consent was requested to use the information included.

#### B. Central Department of Statistics and Information

It was established by virtue of the general census of the state which is issued by the Royal Decree No. (23) dated 7/12/1379 H and the system made it the only official reference in the Kingdom of Saudi Arabia. The system defined its mission and the jurisdiction. It was assigned to conduct all census operations needed in all population, social and economic fields as it is the responsible body for providing the governmental departments, the public and private foundations and personnel by all the census information and data. The available census data was used on the department's website in addition to the preliminary results of the general census for population and housing of 2010G. No written consent request was made to the use of the information included.

#### C. The Swiss Company for Reinsurance (Swiss Re)

A global leader in the reinsurance filed and it was founded on 1863 in Zurich Switzerland and operates in more than 25 countries around the world. The company issue reports on the insurance sector in the world and these reports publicly available on the Internet. It should be noted that Swiss Re is one of the main reinsurance companies for the Company. The data prepared by Swiss Re which was used in this prospectus is available on a general scope and can be obtained via the internet and therefore, using it won't require obtaining an approval.

### 3.2 About the Saudi Economy

In accordance with the statistics of Central Department of Statistics and Information, the volume of the nominal GDP, not taking into account the inflation dilemma, reached about SAR 2.554 billion in 2013G. Accordingly, the volume of the Saudi economy exceeds the volume of the economy of a number of European countries such as Sweden, Poland, Belgium, Norway, and Austria.

The Saudi GDP is absolutely the highest among all Arab countries, which partially explains the membership of Kingdom of Saudi Arabia in Group of Twenty (G20) which includes the major international economies.

The contribution of the Saudi economy in the domestic product of the Gulf Cooperation Council states amounted to 49% in 2013G, according to the International Monetary Fund statistics.

**Table 3.1: Some of the Key Economic Indicators of Kingdom of Saudi Arabia**

Description	2010G	2011G	2012G	2013G	2014G	2015G	2016G	2017G	2018G
Nominal GDP (billion Saudi Riyals)	1,691	2,163	2,356	2,554	2,772	2,986	3,212	3,396	3,957
GDP (nominal) per capita (Saudi Riyals)	61,591	77,031	82,091	87,103	92,604	97,784	103,137	106,930	125,951
Consumer Price Index CPI (% change)	5.36%	4.98%	4.71%	5.08%	4.74%	4.46%	3.89%	3.38%	3.3%
Exchange rate (Saudi Riyal/American Dollar)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Short-term interest rates	0.74%	0.69%	0.83%	0.81%	0.91%	2.37%	5.54%	5.97%	6.05%

Source: Central Department of Statistics and Information and Saudi Arabian Monetary Agency

The nominal GDP is expected to grow annually by 7% from 2012G to 2018G. Besides, the nominal GDP per capita is expected to grow at stable pace by 5% to 6% during the same period.

The powerful financial standing of the Saudi government is one of the main reasons for the power of the Saudi economy since the Saudi government has very low government debt levels. This allows the government to respond to any economic developments by flexibly amending the monetary and financial policies and in a manner that ensures safety of the economy.

The GDP of Kingdom of Saudi Arabia is expected to maintain good growth rates during the next few years in spite of the fluctuating prices of oil and production. This is attributed to the possible positive effects of the new mega projects and economic reforms made by the government through the government's policy to increase annual expenditure without regard to any possible deficit.

Economic variation, apart from the oil sector, is considered the main engine of economic growth in Kingdom of Saudi Arabia in the long run, while continuing with the privatization program as one of the significant strategies for the Saudi government in its efforts to decrease dependency on the oil sector. It is worth mentioning that the oil and gas sector contributed about 44.7% of the GDP of Kingdom of Saudi Arabia during 2013G.

As for the general budget of Kingdom of Saudi Arabia, in accordance with the figures of the Ministry of Finance's reports, the estimated budget of Kingdom of Saudi Arabia in 2013G expected an income of SAR 829 Billion Riyals against expenses of SAR 820 Billion Riyals. This means achieving surplus of SAR 9 Billion Riyals. However, the actual income was SAR 1131 Billion Riyals against expenses of SAR 925 Billion Riyals. This means achieving surplus of SAR 206 Billion Riyals. At the beginning of 2014G, the government announced its estimated budget: it was expected that income and expenses would be equal, SAR 855 Billion Riyals for each.

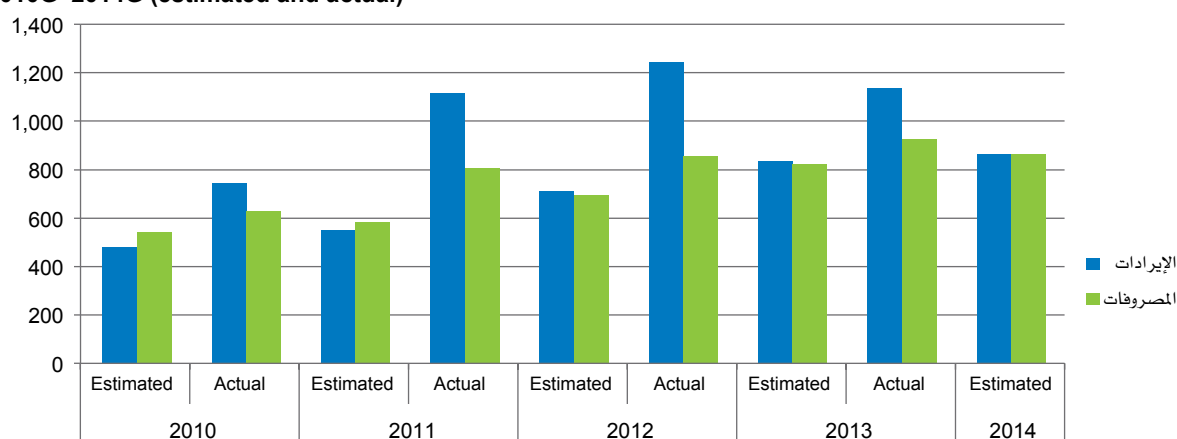
The following table and figure elaborate such expectations.

**Table 3.2: Budget of the Kingdom of Saudi Arabia in 2010G–2013G and the estimated budget of 2014G.**

Description	2010G			2011G			2012G			2013G			2014G
(Billion Saudi Riyals)	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated	Actual	Difference %	Estimated
income	470	735	56.4%	540	1,110	105.5%	702	1,240	76.6%	829	1,131	36.4%	855
Expense	540	626	15.9%	580	804	38.6%	690	853	23.6%	820	925	12.8%	855
Surplus/ deficit	-70	109	-	-40	306	-	12	387	-	9	206	-	0

Source: Saudi Arabian Monetary Agency and Ministry of Finance

**Figure 1.3: Comparison between income and expenses in the budget of Kingdom of Saudi Arabia for 2010G–2014G (estimated and actual)**



Source: Central Department of Statistics and Information, Ministry of Economy and Planning, and Reports of the Ministry of Finance.

Kingdom of Saudi Arabia is endeavoring to improve the investment environment and attract more investments. This is reinforced by the ninth development plan which is considered the second element in the current long-term strategy of the Saudi economy, the term of which is fifteen years to come.

### 3.3 Population Status

It is indicated by the data of the Central Department of Statistics and Information that the population of the Kingdom of Saudi Arabia amounted to 29.99 million in 2013G, compared to 23.21 million in 2004G. This number is expected to reach 31.75 million by 2017G.

The young dominate the population structure of the Kingdom of Saudi Arabia: around 60% of the population are at the age of thirty or the young category between 15–39 years of age constitutes roughly 47% of the total population. In accordance with the estimations of the market reports and studies, the number of the population of Kingdom of Saudi Arabia is expected to increase by a compound population growth rate of 2.07% during 2012G–2017G. The following table summarizes the initial results of the statistics of the population in Kingdom of Saudi Arabia.

**Table 3.3: Summary of the population statistics results of the Kingdom of Saudi Arabia**

Nationality and Gender	2009G	2010G	2011G*	2012G*	2013G*	Percentage for 2013G*
<b>Saudi</b>						
Males	9,307,550	9,527,173	9,743,626	9,962,397	10,181,018	33.94%
Females	9,235,696	9,180,403	9,662,059	9,876,051	10,090,040	33.64%
<b>Total</b>	<b>18,543,246</b>	<b>18,707,576</b>	<b>19,405,685</b>	<b>19,838,448</b>	<b>20,271,058</b>	<b>67.58%</b>
<b>Non-Saudi</b>						
Males	5,706,050	5,932,974	6,297,735	6,581,439	6,643,278	22.15%
Females	2,411,561	246,427	2,672,935	2,776,008	3,079,936	10.27%
<b>Total</b>	<b>8,117,611</b>	<b>8,429,401</b>	<b>8,970,670</b>	<b>9,357,447</b>	<b>9,723,214</b>	<b>32.42%</b>
<b>Total</b>						
Males	15,013,600	15,460,147	16,041,361	16,543,836	16,824,296	56.09%
Females	11,647,257	11,646,830	12,334,994	12,652,059	13,169,976	43.91%
<b>Total</b>	<b>26,660,857</b>	<b>27,136,977</b>	<b>28,376,355</b>	<b>29,195,895</b>	<b>29,994,272</b>	<b>100%</b>

Source: Central Department of Statistics and Information and Ministry of Economy and Planning.

\* Population estimates are based on the initial results of the general census of the population and housing for 2010G.

### 3.4 Global Insurance Markets Overview

Insurance sector (except for life insurance) in international markets was stable until 2013G at a growth rate of 2.5% with no change in terms of the actual value. Besides, insurance premiums in the advanced markets grew at a rate of 1.4% with no change in 2012G. This is attributed to the slow growth of the international economy as a whole. As for emerging markets, insurance premiums (except for life insurance) grew at a rate of 7.8% in 2013G, slightly decreasing from 8% in 2012G, in many countries in Middle and Eastern Europe as well as Southeast Asia because of their dependence on exportation. Therefore, they were greatly affected by the slow growth of the international economy. However, insurance premiums (except for life insurance) increased at a rate of 13% because of the increase of car sales and infrastructure projects.

### 3.5 MENA Insurance Market Overview

In spite of the high growth rates of the past five years, this sector still has a long way to go to become fully mature; insurance penetration rate, insurance density ratio (the total written insurance premiums divided by the total population), and the investment volume in this sector are still low.

When comparing the insurance market of the Middle East and North Africa to the advanced economies, we can see that the legislative systems of the insurance sector are weak. It is expected that the region's economies will open up in the coming phase and that their governments will seek to improve the legislative systems and increase investments, which will reflect positively on the insurance industry in such countries.

The insurance sectors of the region basically fall into two categories. The first category is characterized by a small number of the companies monopolizing the sector under former laws. The second category is characterized by a large number of companies compared to the volume of opportunities in the sector; by world standards, these are small companies. With the increasing number of insurance companies, the Saudi insurance sector seems to be going through a transition process from the first category to the second one.

**Table 3.4: Total insurance premiums (excluding protection and saving P & S)\_ for MENA (for 2012G)**

Country	Insurance premiums	% of the Global Market
Algeria	4,353	0.06%
Bahrain	1,815	0.02%
Egypt	3,873	0.05%
Jordan	2,242	0.03%
Kuwait	2,958	0.04%
Lebanon	3,442	0.05%
Morocco	7,226	0.10%
Nigeria	5,077	0.07%
Oman	2,388	0.03%
Qatar	4,657	0.06%
Kingdom of Saudi Arabia	19,575	0.26%
South Africa	37,815	0.51%
Tunisia	2,602	0.03%
United Arab Emirates	21,551	0.29%

Source: Swiss Re

### 3.6 Insurance Market in Kingdom of Saudi Arabia

Insurance market in Kingdom of Saudi Arabia is relatively new; insurance industry in the past covered the needs of only the markets of exportation and oil in 1970s. Besides, insurance sector faced several difficulties because of the absence of the regulating laws. In addition, there were more than 100 companies registered as external units working from abroad as international mediators or agents for private insurance companies, for providing insurance services in Kingdom of Saudi Arabia. Such companies were registered in Bahrain due to being geographically close to Kingdom of Saudi Arabia. In the light of absence of a regulatory framework, the insurance policies holders suffered from absence of an official authority in the market that is concerned with protecting the consumers' interests against acts of fraud or illegal acts. This later paved the way to make reforms and to reformulate the insurance

sector in Kingdom of Saudi Arabia. Then, resolution No. 51 dated Rabie Al-Thani 04, 1397 A.H., was passed by the Council of Senior Scholars in Kingdom Saudi Arabia, by virtue of which cooperative insurance was considered to be a formula of the donation contract, thereby being accepted in Islamic Sharia. In 1406 A.H. (corresponding to 1986), the first cooperative insurance company was established by the government, i.e., National Company for Cooperative Insurance ("Cooperative"), to cover the domestic insurance needs and satisfy the government expectations in presence of an insurance sector under its control.

Saudi Arabian Monetary Agency is responsible for regulating and supervising insurance sector and preparing the licensing standards for insurance companies. It is ordained in the new law that insurance companies shall be registered and licensed in Kingdom of Saudi Arabia as a general joint-stock company so as to conduct insurance business in Kingdom of Saudi Arabia. The new laws are applied not only to the new companies but also to the reinsurance companies, reinsurance agencies, agents, and losses settlement agencies.

Domestic insurance sector witnessed a transitional phase in which the existing companies were allowed to conduct their business within a time limit that expired on April 09, 2008G—insurance companies were required either to obtain license from Saudi Arabian Monetary Agency allowing it to work in Kingdom of Saudi Arabia in accordance with the Cooperative Insurance Companies Supervision Law of the year 2003G or to get out of the market. In addition, Saudi Arabian Monetary Agency allowed the companies which finished study of their portfolios or which for which a royal decree was issued for incorporation thereof but the procedures of incorporation are not completed to renew insurance policies for the customers within a time limit that expired on February 17, 2010G.

The structural reforms made by the government resulted in growth of the insurance sectors at high rates in the past few years. Insurance industry grew from about 10.8 billion Saudi Riyals in 2008G to about 25 billion Saudi Riyals in 2013G at a compound annual rate of 18%.

### 3.7 Cooperative Insurance Companies Control Law and Its Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree number M/32 dated 2/6/1424H (corresponding to 31/7/2003G) which set the stage for the legal framework and supervision of the insurance sector. SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance sector.

Later, the Implementing Regulations was issued by virtue of Ministerial Decree No. 1/596 dated 1/3/1425H (corresponding to 20/4/2004G) to govern the insurance business in Saudi Arabia. Some of the salient features of Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within Saudi Arabia must be carried out by insurance companies established and registered in Saudi Arabia and operated in a "Cooperative/Takaful" manner consistent with the principles of Islamic Law and Jurisprudence.

Applicant insurer/reinsurer must be a joint stock company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).

- Gross premiums written should not exceed ten times the amount of the paid up capital of the company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders' income statement and the balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

### 3.8 Total Written Insurance premiums

The total written insurance premiums of 4.06 billion Saudi Riyals increased to 25.24 billion Riyals in 2013G against 21.2 billion Saudi Riyals in 2012G at a growth rate of 19.2%. Medical insurance continued as the biggest insurance activity in 2013G; the Percentage of medical insurance in the total written insurance premiums decreased from 53% in 2012G to 51% in 2013G. Medical insurance is compulsory for expatriates and workers in the private sector. On the other hand, the Percentage of general insurance in the insurance sector increased to 46% in 2013G. In addition, the protection and savings insurance continued as the lowest insurance activities in terms of size; the Percentage of protection and savings insurance in the total written insurance premiums was 3%, which constitutes a decrease in the written insurance premiums by 5% in 2013G. Moreover, Auto Insurance constituted about 25% of the total written insurance premiums in 2013G, as insurance on car license is an compulsory requirement.

**Table 3.5: Total written insurance premiums in the Saudi insurance market distributed in accordance with the type of business**

Area of Insurance business	2009G		2010G		2011G		2012G		2013G		Change rate 12-13
	Total premiums (million Riyals)	Percentage from total premiums	Total premiums (million Riyals)	Percentage from total premiums	Total premiums (million Riyals)	Percentage from total premiums	Total premiums (million Riyals)	Portion from total premiums	Total premiums (million Riyals)	Percentage from total premiums	
Medical insurance	7,292	50%	8,690	53%	9,708	52.5%	11,285	52.5%	12,895.0	%51.1	%14.3
Auto Insurance	3,055	21%	3,239	20%	3,922	21.2%	4,689	21.2%	6,354.7	%25.2	%35.5
property/ fire insurance	905	6%	959	6%	1,157	6.3%	1,348	6.3%	1,664.5	%6.6	%23.4
accident, liability, and others	544	4%	507	3%	632	3.4%	691	3.4%	940.8	%3.7	%36.2
Engineering insurance	810	6%	869	5%	913	4.9%	1,077	4.9%	1,199.7	%4.8	%11.4
Marine insurance	525	4%	518	3%	634	3.4%	743	3.4%	740.3	%2.9	(%)0.4)
Protection and savings insurance	1003	7%	972	6%	905	4.9%	889	4.9%	844.5	%3.3	(%)5.0)
energy insurance	302	2%	329	2%	361	2%	385	2%	456.0	%1.8	%18.5
aviation insurance	174	1%	304	2%	272	1.5%	67	1.5%	144.0	%0.6	%114.7
<b>Total</b>	<b>14,610</b>	<b>100%</b>	<b>16,387</b>	<b>100%</b>	<b>18,504</b>	<b>100%</b>	<b>21,174</b>	<b>100%</b>	<b>25,239.4</b>	<b>%100</b>	<b>%19.2</b>

Source: Saudi insurance report for 2013G made by Saudi Arabian Monetary Agency

### 3.9 Insurance market penetration

The compound annual growth rate of the insurance market penetration in the past five years increased by 3%. In 2013G, insurance penetration increased to 0.9% against 0.78% in 2012G. Such increase is attributed to the slight growth of the Gross Domestic Product GDP of the Kingdom of Saudi Arabia (by 2.5% in 2013G in comparison of a growth rate of 26% in 2012G); the non-oil domestic product increased and the oil domestic product decreased.

**Table 3.6: Insurance market penetration of GDP (2009G–2013G)**

Line of Business	2009G	2010G	2011G	2012G	2013G	Change rate 12-13
	%	%	%	%	%	
Total general insurance	0.45%	0.40%	0.36%	0.33%	%0.41	%24.7
Total medical insurance	0.52%	0.51%	0.45%	0.41%	%0.46	%11.5
Total protection and savings insurance	0.07%	0.06%	0.04%	0.03%	%0.03	(%)7.2)
<b>Grand Total</b>	<b>1.03%</b>	<b>0.97%</b>	<b>0.86%</b>	<b>0.78%</b>	<b>%0.90</b>	<b>%16.3</b>

Source: Saudi insurance report for 2013G made by Saudi Arabian Monetary Agency.

### 3.10 Insurance Density

Insurance density is defined as the per capita on insurance (ratio of total written insurance premiums to total population).

The insurance density increased from SAR 725 Riyals per person in 2013G to SAR 864 Riyals per person in 2013G at an increase rate of 19.2%. From 2009G to 2013G, the per capita spending on insurance services witnessed an average annual increase of 11% .

**Table 3.7: Insurance density of the GDP (2009G–2013G)**

Line of business	2009G	2010G	2011G	2012G	2013G	Change rate 12-13
	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals	
Total general insurance	248.9	247.8	290.8	308.3	393.9	%27.8
Total medical insurance	287.4	320.2	357.8	386.5	441.7	%14.3
Total protection and savings insurance	39.5	35.8	33.4	30.4	28.9	(%5.0)
<b>Grand Total</b>	<b>575.8</b>	<b>603.9</b>	<b>682.0</b>	<b>725.2</b>	<b>864.5</b>	<b>%19.2</b>

Source: Saudi insurance report for 2013G made by Saudi Arabian Monetary Agency

### 3.11 Retention Ratio by Line of Business

Retention ratio is the measure of the written insurance premiums retained by the insurance company. Such rate can be obtained by dividing the net written insurance premiums by the total written insurance premiums.

The total Retention ratio of the insurance companies in Kingdom of Saudi Arabia increased to 76% in 2013G against 75.8% in 2012G. This is attributed to the increase in the Retention ratio of the Auto Insurance and medical insurance having 76.3% of the total written insurance premiums. Besides, in 2013G, the Retention ratio of the Auto Insurance was 94% and the Retention ratio of the medical insurance was 89%.

**Table 3.8: Retained premiums in accordance with activity fields**

Type of Insurance Business	2009G	2010G	2011G	2012G	2013G	Change rate 2-13
	Percentage from total premiums	Percentage from total premiums	Percentage from total premiums	Percentage from total premiums	Percentage from total premiums	
Medical insurance	76.2%	81.9%	84.7%	88.2%	88.8%	0.8%
Auto Insurance	96.4%	95.678%	94.603%	94.009%	93.899%	(%0.1)
Property / fire Insurance	11.6%	13.196%	11.716%	15.068%	16.921%	12.3%
accident, liability, and others insurance	44.9%	54.439%	44.304%	47.661%	41.566%	(12.7%)
Engineering insurance	15.5%	13.105%	14.377%	15.411%	15.030%	(2.5%)
Marine insurance	34.9%	33.842%	32.319%	30.886%	32.624%	5.6%
Energy Insurance	1.7%	2.305%	2.05%	1.902%	1.655%	(13.0%)
Aviation Insurance	0.6%	1.591%	0.457%	3.571%	2.523%	(29.4%)
<b>Total</b>	<b>62.4%</b>	<b>72.0%</b>	<b>73.2%</b>	<b>75.9%</b>	<b>76.2%</b>	<b>0.5%</b>

Source: Saudi insurance report for 2013G made by Saudi Arabian Monetary Agency

### 3.12 Growth Factors

#### A. Regulatory Factors

The compulsory medical insurance for the non-Saudi was applied in phases. In case the compulsory medical insurance is imposed on all Saudi citizens, this will help alleviate the free healthcare burdens for the state.

Furthermore, compulsory Auto Insurance will help greatly increase issued insurance policies. In case the sale prices of oil increase, this will cause the number of registered cars to increase and consequently request for protection and insurance will increase during the next four years.



## B. Increased Consumer Awareness of Insurance Products

Because of the insurance market in the Kingdom of Saudi Arabia being new and the low awareness of insurance products, the protection and savings insurance approximately does not exist in Kingdom of Saudi Arabia. With the transformation of this market to become regulated and more advanced market and with the increasing awareness of the consumers, the traditional products of insurance protection and saving as well as the Takaful products are expected to spread more.

### 3.13 Competition

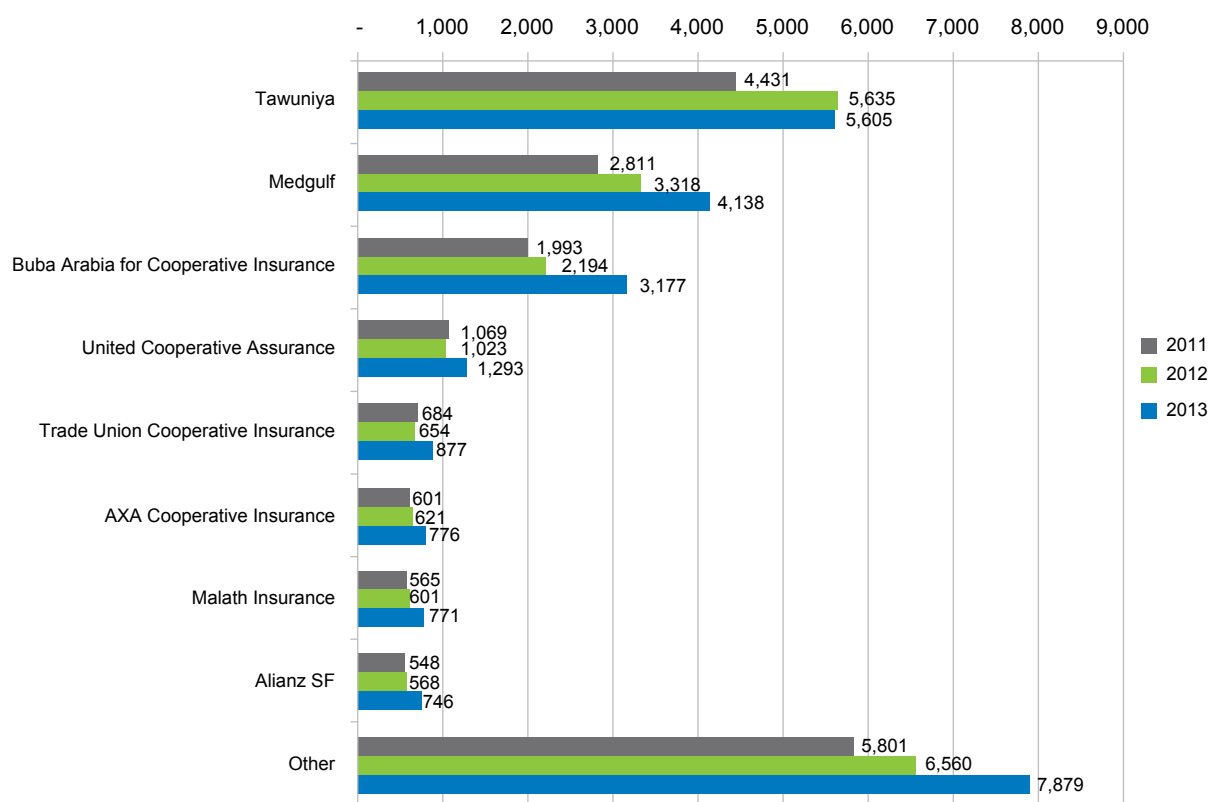
The market is currently witnessing active changes, and the competition becomes stiffer, after obtaining licenses by the insurance to work in Kingdom of Saudi Arabia. With new companies entering the market, each companies is expected to present new and advanced products to increase its share in the market. Besides, presenting new products to the Saudi market such as credit insurance, insurance for real estate mortgage, and life insurance that can be reimbursed and amended will improve diversification and quality of the products in the market.

The number of Saudi companies listed in the Saudi stock market is 35 companies on the date of publishing this prospectus, as follows:

1. National Company for Cooperative Insurance ("Tawuniya");
2. The Mediterranean and Gulf Insurance and Reinsurance Co (Medgulf);
3. Malath Insurance;
4. AlAhlia for Cooperative Insurance Co.;
5. AlAhli Takaful Co.;
6. SABB Takaful;
7. Arab Shield;
8. Salama AIAC Cooperative Insurance Company;
9. Gulf-Union Cooperative Insurance Co.;
10. Allianz SF;
11. Sanad Insurance reinsurance Co.;
12. Trade Union Cooperative Insurance & Reinsurance Company;
13. Al Sagr Cooperative;
14. Saudi Indian Co. for Cooperative Insurance;
15. Arabia Insurance Cooperative Company;
16. Saudi United Cooperative Insurance Co.;
17. Buba Arabia for Cooperative Insurance;
18. Saudi Re;
19. United Cooperative Assurance;
20. Saudi Arabian Cooperative Insurance Co. (SAICO);
21. Allied Cooperative Insurance Group, (ACIG);
22. Weqaya;
23. Al Rajhi Takaful;
24. AXA Cooperative Insurance;
25. Ace Arabia Cooperative Insurance Company;
26. Buruj Cooperative Insurance;
27. Alalamiya Cooperative Insurance Co.;
28. Gulf General Insurance Co.;
29. Solidarity Saudi Takaful Co.;
30. Wataniya Insurance Co.;
31. Amana Cooperative Insurance Company;
32. Saudi Enaya Cooperative Insurance Co.;
33. Alinma Tokyo Marine Co.;
34. Al Jazira Takaful Co.;
35. MetLife AIG ANB Cooperative Insurance Co.



**Figure 2.3.: Market shares of the insurance companies in Kingdom of Saudi Arabia in accordance with the total written premiums for the period 2011G–2013G**



Source: Saudi Arabian Monetary Agency

### 3.14 Future Expectations

Insurance sector in Kingdom of Saudi Arabia is about to undergo certain developments due to some economic and regulatory factors in addition to the new government policies, including:

Work environment in the licensed companies shall be more transparent since they are joint-stock companies duly regulated and existing under the laws of Saudi Arabian Monetary Agency and thanks to Saudi Arabian Monetary Agency's efficiency in regulating the banking sector and consequently the insurance sector.

- Currently, there is no active market for traditional protection and savings insurance, and the sales of this product are expected to increase simultaneously with the increase of the consumer's awareness.
- Stiff competition in medical insurance and Auto Insurance will drive insurance companies to improve their products and introduce new products such as traditional protection and savings insurance and
- Improvement of business sector and the increase of its needs will result in new insurance products satisfying such needs.
- Applying compulsory medical insurance to expatriates will lead to continuous increase of the customers' base.
- Stiff competition in the insurance market may lead to reducing the rates of insurance premiums and consequently decreasing company's profits. In light of such changes, insurance companies may merge or exit of the market before such investments become mature and realize their aspired returned.
- The Saudi market will attract many insurance companies although the statements of Saudi Arabian Monetary Agency with respect to capitalization of companies under establishment indicate that most of such companies will not obtain big shares of the Saudi market.
- Imposing statutory reserve will improve the companies' financial performance.

## 4. About the Company and Its Line of Business

### 4.1 About the Company

Saudi Indian Co. for Cooperative Insurance “Wafa Insurance” is a Saudi public joint-stock company duly regulated under Royal Decree no. 60/M dated Ramadan 18, 1427 A.H. (corresponding to October 11, 2006G) and Council of Ministers’ Resolution No. 233 dated Ramadan 16, 1427 A.H. (corresponding to October 09, 2006G) after obtaining the license of Saudi Arabian General Investment Authority (SAGA) no. 10202330317013 dated Moharam 26, 1426 A.H. (corresponding to March 07, 2005G). The company’s head office is located at the North ring road, Al Masyaf district, Riyadh. It is further registered in the commercial register under no. 1010236705 on Ragab 24, 1428 A.H. (corresponding to August 07, 2007G). Besides, the company is licensed by Saudi Arabian Monetary Agency to conduct the insurance business by virtue of license no. 20086/14/NMT on Jumada Al-Thani 06, 1429 A.H. (corresponding to August 20, 2008G). The company conducts the business of cooperative insurance and relevant activities under the Cooperative Insurance Companies Supervision Law and the Implementing Regulations thereof and the other laws and regulations applicable in Kingdom of Saudi Arabia.

Company’s capital is 100,000,000 (only One Hundred Million) Saudi Riyals distributed to 10,000,000 (only ten million) common shares, the nominal value of each of which is 10 (only ten) Saudi Riyals, and all shares are fully paid.

In its meeting held in Riyadh on Jumada Al-Thani 06, 1435 A.H. (corresponding to April 27, 2014), it was recommended by the company’s board of directors to increase company’s capital 205,000,000 (only two hundred five million) Saudi Riyals after obtaining the necessary legal approvals. Besides, the company obtained the approval of Saudi Arabian Monetary Agency by virtue of letter No. 351000133768 on Shawwal 30, 1435 A.H. (corresponding to August 26, 2014) for increasing the company’s capital to 105,000,000 (only one hundred five million) Saudi Riyals by offering rights issue shares. On 19/06/1436H (corresponding to 08/04/2015G), the partners’ extraordinary general assembly approved of the recommendations of the company’s board of directors to increase the company’s capital.

### 4.2 Company Establishment Phases

The company was established in 2007G; the founding shareholders written 6,000,000 (only six million) shares in total, the nominal value of each of which is 10 (only ten) Saudi Riyals, representing 60% (sixty percent) of the company’s shares. The value of such shares was paid up in full and was deposited under the name of the company under establishment in the Banque Saudi Fransi. Besides, 4,000,000 (only four million) shares were offered, representing 40% (forty percent) of the company’s capital for public subscription with the price of 10 (only ten) Saudi Riyals per share. In addition, the company’s shares were registered and started to be circulated in the Saudi stock market on Sha’aban 11, 1428 A.H. (corresponding to August 25, 2007G).

On Jumada Al-Awwal 17, 1433 A.H. (corresponding to April 09, 2012G), the partners’ unusual general assembly approved of amending the company’s name to become “Saudi Indian Co. for Cooperative Insurance” (Wafa Insurance).

The company confirms that it has granted the founding shareholders or any other shareholders any privileges or preferential rights. It further confirms that since its establishment until the date of publishing this prospectus it has not increased the capital by offering rights issue shares.

### 4.3 Main Updates after the Establishment of the Company

1. The founding shareholders obtained the company’s license in accordance with Royal Decree No. 60/M issued on Ramadan 18, 1427 A.H., and Council of Minister’s Resolution No. 233 passed on Ramadan 16, 1427 A.H.
2. Company’s shares were offered in a Initial Public Offering IPO on May 19, 2007G.
3. The official approval of Saudi Arabian Monetary Agency was issued on Jumada Al-Thani for the company for conducting and starting the business of insurance.
4. The company started conducting the business of general and medical insurance on August 20, 2008G.
5. The company started conducting the business of protection and savings insurance on August 20, 2008G.
6. Company’s shares were registered in the Saudi Stock Market on Ragab 11, 1428 A.H. (corresponding to August 25, 2007G).
7. The extraordinary general assembly approved on Jumada Al-Awwal 17, 1433 A.H. (corresponding to April 09, 2012G) on amending the company’s name by adding “Wafa Insurance” so that the name becomes Saudi Indian Co. for Cooperative Insurance (Wafa Insurance)

8. The company obtained the approval of Saudi Arabian Monetary Agency to increase its capital to 105,000,000 (only one hundred five million) Saudi Riyals on Shawwal 30, 1435 A.H. (corresponding to August 26, 2014G).

## 4.4 Business

In accordance with Article 3 of the Articles of Association, the company's licensed purposes are as follows:

- conducting the business of cooperative insurance and the relevant reinsurance, agencies, representation, correspondence, or brokerage, in accordance with the provisions of the Cooperative Insurance Companies Supervision Law and the Executive Regulation thereof and the applicable rules in Kingdom of Saudi Arabia; the company is entitled to conduct all business that should be conducted to fulfill its objectives whether in the field of insurance or by investing its money and further to own, transfer, exchange, lease directly or through companies incorporated or bought by it or in collaboration with other companies the fixed and cash money.

The company confirms that it does not intend to make any fundamental changes to the company's activity existing since its establishment, and that there was no significant interruption of the company's business which may affect or may have affected its financial position during the last 12 (twelve) months. The company further confirms that it does not conduct any business nor does it have any assets outside the Kingdom of Saudi Arabia.

The company was licensed to conduct the insurance business including the following main insurance services: (1) general insurance; (2) medical insurance; (3) protection and savings insurances insurance.

The company shall provide its services only after obtaining approval (final or provisional) from Saudi Arabian Monetary Agency for each product (pursuant to Article 16 of the Implementing Regulations), taking into consideration the fact that the company has now obtained final and provisional approvals from Saudi Arabian Monetary Agency for some of its insurance products.

The company has obtained approvals (final and provisional) for the products stated in the below table.

**Table 4.1: Products for which the company has obtained approvals (final and provisional) from Saudi Arabian Monetary Agency to be provided**

Purpose	License No.	Issuance Date	Expiration Date
Conducting the business of general and medical insurance and protection and savings insurance	2880/6/14/NMT	Jumada Al-Thani 06, 1429 A.H., corresponding to June 10, 2008G	Jumada Al-Thani 04, 1438, corresponding to March 03, 2007G
Final approval of marketing and offering the comprehensive insurance policy for private and commercial cars and compulsory Auto Insurance	341000062919	Jumada Al-Awwal 19, 1434 A.H., corresponding to March 31, 2013G	
Extending the provisional approval of marketing and offering 4 (four) of the company's insurance products: (1) insurance policy against medical malpractice; (2) insurance policy for medical facilities; (3) insurance policy for general liability and liability for devices; (4) insurance policy for international travel	351000070266	Jumada Al-Thani 01, 1435 A.H., corresponding to April 01, 2014G	Dhu al-Hijjah 01, 1435 A.H., corresponding to September 25, 2014G (One-year extension was obtained as from September 16, 2014G)
Final approval of marketing and offering an insurance policy for workers' compensation	IS/2111	Dhu al-Qi'dah 16, 1431 A.H., corresponding to October 24, 2010G	
Final approval of marketing and offering an insurance policy for discontinuing work	IS1824/	Shawwal 18, 1431 A.H., corresponding to September 27, 2010G	

Purpose	License No.	Issuance Date	Expiration Date
Final approval of marketing and offering the following insurance policies: (1) insurance policy for contractors' all risk; (2) insurance policy for all risks of construction/ installation; (3) insurance policy for breakdown of equipment; (4) insurance policy for contractor's factories and equipment; (5) insurance policy for electronic devices.	IS/363	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval of marketing and offering the following insurance policy: (1) insurance policy for marine load (open coverage); (2) insurance policy for land-transported goods (open coverage); (1) insurance policy for marine load (one load); (2) insurance policy for land-transported goods (one load);	IS/3641	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval of marketing and offering an insurance policy for personal accidents (individual or group)	IS/362	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy for money	IS/361	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy for public comprehensive liability	IS/359	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy against theft	IS358/	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy honesty guarantee	IS357/	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy for medical insurance	IS/357	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy for properties including the following: (1) insurance policy against fire; (2) insurance policy against fire (housing)	IS/356	Safar 10, 1429 A.H., corresponding to February 17, 2008G	
Final approval on marketing and offering an insurance policy for protection of groups	IS2093/	Dhu al-Qi'dah 15, 1431 A.H., corresponding to October 23, 2010G	

Purpose	License No.	Issuance Date	Expiration Date
Final approval on marketing and offering the following insurance policy for protection and savings: (1) cash retrieval program; (2) children help program; (3) life insurance (double coverage program) (4) protection program; (5) money retrieval program and long-term program for life protection; (5) life insurance (participation program)	IS/487	Rabie Al-Awwal 15, 1431 A.H., corresponding to March 01, 2010G	

## 4.5 Company's Vision

Company's vision is to provide the best financial guarantee that matches our values and is designed and innovated by a specialized team; to establish and develop long-term professional relations with the customers looking for specific solutions for managing their risks at costs matching the nature of their works; to grow and expand our products and services for best coverage; to be best the best in the eyes of our customers, employees, and shareholders; to be leaders in the field of insurance industry in Kingdom of Saudi Arabia.

## 4.6 Company's Mission

Company's mission is to make the insurance experience easy and satisfying. Besides, the company confirms that it is committed to and resolute in providing the best insurances at appropriate prices.

## 4.7 Company's Values

- Credibility and impartiality;
- serving our customers through integrated efforts between the management and the different departments of the company;
- satisfying the requirements of all shareholders in the company;
- daily and continuing learning;
- respect the national cultures of our multi-nationality employees;
- diligence and perservance;
- respecting time value and best utilizing it for carrying out work missions;
- adopting change and initiatives.

## 4.8 Strategy

Company's strategy has been prepared relying on the instructions of the board of directors given on basis of a set of advanced standards. Wafa Insurance's strategy is focused guaranteeing the balanced growth of insurance profile and not focusing one product at the expense of another. Besides, company's products are distributed to all categories of the society in a consistent, organized, and well-thought-out manner; in addition, the company diligently seeks to establish transparent and fully protected relations with and to provide high-quality services for the insurance agencies and company's customers. Company's main objective is to achieve beneficial results guaranteeing returns acceptable to both shareholders and customers of the company.

Furthermore, Wafa Insurance is targeting through a well-studied and organized strategy to increase its geographic spread and to play a more effective role in the Saudi market by opening new branches and developing the existing ones.

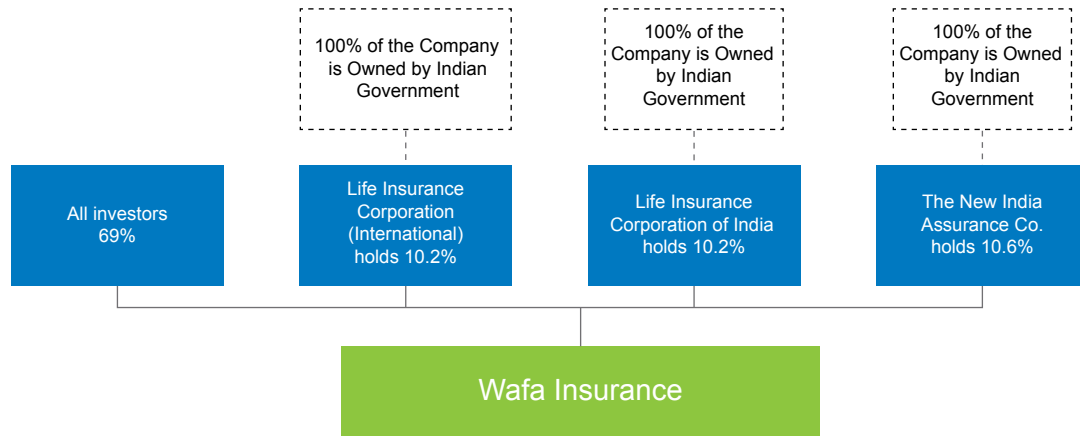
Company's strategy is targeting the following:

- achieving a total annual level of insurance premiums enabling the company to have a bigger share in the insurance market;
- making the internal regulations, laws, and standards that would guarantee the rights of the insureds;
- providing new high-level insurance products and services at competitive prices;
- Working in accordance with an effective and powerful strategy to utilize the relative and competitive privileges and the new opportunities in the Saudi economy;

- creating a well-known tradename and high reputation for the company through advertisement and promotion campaigns for the company's services and products;
- amending and improving products to satisfy the local requirements;
- creating new distribution channels in accordance with the fixed insurance principles and the applicable supervision standards;
- contacting the well-known international companies to carry out the insurance operations on a large scale;
- achieving better returns through adopting well-studied investment policy.

## 4.9 Main Shareholders in the Company

**Figure 4.1: Main shareholders in Wafa Insurance and the structure of their properties**



Source: Wafa Insurance

**Table 4.2: List of shareholders possessing 5% or more in Wafa Insurance (on the date of this prospectus)**

Serial	Shareholder	No. of Shares	Capital (Saudi Riyals)	Percentage before Offering
1	The New India Assurance Co.	1,060,000	10,600,000	10.6%
2	Life Insurance Corporation of India	1,020,000	10,200,000	10.2%
3	Life Insurance Corporation (International)	1,020,000	10,200,000	10.2%

Source: Wafa Insurance

\*All are direct properties.

### 4.9.1 The New India Assurance Co

The New India Assurance Co was established as a public joint-stock company in India in 1919. It has developed until it has become one of the international insurance groups. The company's main office is located in Mumbai, India, and it has offices and branches all over India and several countries. In addition, the company has more than 20,000 employees, and its operations cover more than 24 countries. Moreover, it has a network comprised of 19 branches, 12 agencies, two sister companies, and two affiliates. It is further considered the biggest company providing insurance services in India, and it is classified by EM Best as A-.

The following table illustrates the structure of the properties of The New India Assurance Co.

**Table 4.3: Structure of the properties of The New India Assurance Co.**

Shareholders	Share %
Indian Government	100%
<b>Total</b>	<b>100%</b>

Source: Wafa Insurance

## 4.9.2 Life Insurance Corporation of India

Life Insurance Corporation of India was established as a public joint-stock company in India in 1956 pursuant to the Indian government's stating to merge more than 240 institutions working in the field of life insurance into one nationalized company. This corporation is full owned by the Indian government. It is further specialized in providing a large scale of life insurance products such as full life insurance in addition to other programs covering the special needs of specific classes in the market.

The head office of Life Insurance Corporation of India is located at Mumbai, India, and it has 7 head offices all over India and 100 branch offices in addition to 2,048 branches distributed inside India. In addition, it has more than full-time 123,000 employees in addition to the workforce of the other parties such as sales and marketing, amounting to more than one million employees. Besides, the company provides all kinds of life insurance in addition to the possibility of reinsurance.

The following table illustrates the structure of the properties of Life Insurance Corporation of India.

**Table 4.4: Structure of the properties of Life Insurance Corporation of India**

Shareholders	Share Percentage
Indian Government	100%
<b>Total</b>	<b>100%</b>

Source: Wafa Insurance

## 4.9.3 Life Insurance Corporation (International)

Life Insurance Corporation (International) was established in 1989 as an exempted joint-stock company in Kingdom of Bahrain with the purpose of providing the insurance policy insurance policies in the American standards to satisfy the needs of the Indian community and other communities and to provide the insurance services for the insured persons having insurance policy insurance policies in India from Life Insurance Corporation of India and currently residing in the Arab Gulf area.

The following table illustrates the structure of the properties of Life Insurance Corporation (International).

**Table 4.5: Structure of the properties of Life Insurance Corporation (International)**

Shareholders	Share Percentage
Life Insurance Corporation of India	100%
<b>Total</b>	<b>100%</b>

Source: Wafa Insurance

## 4.10 Aspects of Power and Competitive Privileges

The company has aspects of power, competitive privileges, and added values characterizing it from the insurance sector.

- This company is one of the few companies providing a huge set of products of protection and savings insurance; it has made use of the experience of the partners The New India Assurance Co, Life Insurance Corporation of India, and Life Insurance Corporation (International) with respect to the products of protection and savings insurance.
- The company and its partners have experience in customers' needs, especially the communities residing in Kingdom of Saudi Arabia. Saudi Indian Co. for Cooperative Insurance "Wafa Insurance" has polarized some employees from the partners The New India Assurance Co, Life Insurance Corporation of India, and Life Insurance Corporation (International). Besides, the partners are totally ready to provide the company with employees when necessary or to provide technical consultations to it.
- The company has an administrative team with profound experience; it has polarized some of the Saudi and other efficiencies having great experience in the Saudi Market.
- The company has a diverse customers' base covering the sectors of public insurance and protection and savings insurance; the company has enhanced its relations with the medium-size and small-size establishments through excellent insurance coverage.

The company has a set of products satisfying all the needs of the Saudi market except for insurance for energy and aviation. Besides, the company has excellent spread on the Saudi geographic level; it has branches in the middle, western, and eastern areas and sale points in most of the areas of Kingdom of Saudi Arabia.



- The company has entered into reinsurance contracts with distinguished reinsurers at the international level, including a Treaty Reinsurance with Hannover Re Bahrain and Hannover Re Paris.
- Company's tradename has been changed to Wafa Insurance in order to start new and distinguished relations with the customers.

## 4.11 Services and Products

This section is a summary of the types of insurance products in the company. It does not include all conditions and provisions of the relevant insurance policies and may include items not in full agreement with the items of such policies. Accordingly, it does not replace the texts of the policies under any circumstances and has no contractual or legal value. In case of any difference or conflict between this summary and the texts of the said policies, the text of such policies shall prevail.

### 1. Medical Professions Malpractice Insurance

Coverage in this type of insurance includes all costs resulting from medical malpractice of the persons covered by the insurance because of a mistake made by the insured at the time or in the course of performing its job inside Kingdom of Saudi Arabia, as stated in his license, or in relation to any other medical emergency treatment. The coverage shall be applied to claims resulting from bodily injury and/or death of any patient due to or alleged to be due to a mistake, omission, or negligence in the provided professional service. The company obtained provisional approval for this product from Saudi Arabian Monetary Agency by virtue of letter No. 351000143204 on Dhu al-Qi'dah 11, 1435 A.H., for 6 months from Dhu al-Qi'dah 11, 1435 A.H. (corresponding to September 16, 2014G), to Jumada Al-Awwal 20, 1436 A.H. (corresponding to March 10, 2015G).

### 2. Medical Facilities Insurance

Coverage in this type of insurance includes the claims resulting from bodily injury and/or death of any patient due to or alleged to be due to mistake, omission, or negligence in the provided professional service. The company obtained provisional approval for this product from Saudi Arabian Monetary Agency by virtue of letter No. 351000143204 on Dhu al-Qi'dah 21, 1435 A.H., for 6 months from Dhu al-Qi'dah 21, 1435 A.H. (corresponding to September 16, 2014G), to Jumada Al-Awwal 20, 146 A.H. (corresponding to March 10, 2015G).

### 3. Third Party Liability and Products Liability Insurance

Coverage in this type of insurance includes third party liability (on basis of losses) and liability for products (on basis of submitting claims) the following.

#### A. Third party liability (based on occurrence of losses):

This policy covers the accidental bodily injuries caused by the insured in the course of performing his work, and the incidental loss or damage caused to third party property caused by the insured in the course of performing his work.

#### B. Products liability (based on filing of claims):

This policy covers the accidental injuries to any person and the accidental damage caused to properties resulting from supplying the products by the insured.

The company obtained provisional approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. 351000143204 on Dhu al-Qi'dah 21, 1435 A.H., for 6 months from Dhu al-Qi'dah 21, 1435 A.H. (corresponding to September 16, 2014G), to Jumada Al-Awwal 20, 146 A.H. (corresponding to March 10, 2015G).

### 4. Annual International Travel Insurance for a Short Period

Coverage in this type of insurance includes the medical emergencies the insured is exposed to outside Kingdom of Saudi Arabia round the clock seven days a week. Such coverage continues until the emergency case had passed or until a replacement of the lost documents are issued and information and instructions pertinent to indemnity claims are provided.

The coverage further includes the time of going directly from the accommodation to the point of departure and returning directly to the accommodation later on, provided that such period shall not exceed 24 hours for round trip. In case the return is delayed for a reason unavoidable by the insured, coverage shall be extended for free for the entire delay period. The company obtained provisional approval for this product from Saudi Arabian Monetary Agency by virtue of letter No. 351000143204 on Dhu al-Qi'dah 21, 1435 A.H., for 6 months from Dhu al-Qi'dah 21, 1435 A.H. (corresponding to September 16, 2014G), to Jumada Al-Awwal 20, 146 A.H. (corresponding to March 10, 2015G).



## 5. Auto Insurance – Third Party Liability

Coverage in this type of insurance includes indemnifying third party when the damage covered by the policy occurs, in consideration of the premium paid by the insured to the company. This policy includes the performance bond certificate, provided that it shall not conflict with or contravene the provisions stipulated in this policy. Besides, the policy covers the damage whether resulting from the use or breakdown of the vehicle inside the territory of Kingdom of Saudi Arabia. Besides, the company shall indemnify third party in cash in accordance with the conditions and limits agreed upon for all amounts to be paid by the insured or driver which result from the following:

- bodily injury caused to third party inside or outside the vehicle;
- bodily injury outside the vehicle.

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. 341000062919 on Jumada Al-Awwal 19, 1435 A.H. (corresponding to March 30, 2013G).

## 6. Comprehensive Commercial Motor Insurance

Coverage in this type of insurance includes indemnifying the insured against the damage caused to the insured vehicle and against third party liability.

### A. Damage to the Insured Vehicle:

The company shall indemnify the insured for the loss of or accidental damage caused to any vehicle included in the insurance policy and the second annexes thereto in the following cases;

- Collision or rollover of the vehicle;
- Fire, engine fire or fire resulting from the lightning;
- Theft or attempted theft;
- Vandalism.

### B. Third party liability:

This coverage includes the damage covered under the policy whether resulting from using or breakdown of the vehicle inside the territory of Kingdom of Saudi Arabia. Besides, the company shall indemnify third party in cash in accordance with the conditions and limits agreed upon in the policy for all amounts to be paid by the insured or driver which result from the following:

- bodily injury caused to third party inside or outside the vehicle;
- bodily injury outside the vehicle.

Coverage may be extended to include the following:

- Insurance against personal accidents: extended to a maximum of 5,000,000 (only five million) Saudi Riyals per person, including coverage of medical charges of 25,000 (only twenty-five thousand) Saudi Riyals;
- expanding the geographic scale: the policy may be extended to cover the insured in Egypt, Jordan, Lebanon, Syria, and GCC countries;
- expanding the age scale to include the people at the age of 18–21 years;
- authorizing to make repairs outside the agency;
- covering natural hazards;
- Extending coverage of the goods during internal transfer (inside the boarders agreed upon in the policy).

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. 341000062919 on Jumada Al-Awwal 19, 1435 A.H. (corresponding to March 30, 2013G).

## 7. Comprehensive Private Motor Insurance

Coverage in this type of insurance includes indemnifying the insured for the damage caused to the insured vehicle or for third party liability.

### A. Damage to the Insured Vehicle:

The company shall indemnify the insured for any accidental loss of or damage to any motor vehicle covered by the policy as well as to any accessories fixed thereto.

## **B. Third party liability:**

This coverage includes the damage covered under the policy whether resulting from the use or breakdown of the vehicle inside the territory of Kingdom of Saudi Arabia. Besides, the company shall indemnify third party in cash in accordance with the conditions and limits agreed upon in the policy for all amounts to be paid by the insured or driver which result from the following:

- bodily injury caused to third party inside or outside the vehicle;
- bodily injury outside the vehicle.
- Coverage may be extended to include the following:
  - providing a substitute leased car (for private cars only);
- Insurance against personal accidents: its maximum limit is 100,000,000 (hundred million) Saudi Riyals per person, including coverage of the medical charges amounting to 25,000 (twenty-five thousand) Saudi Riyals;
- expanding the geographic scale: the policy may be extended to cover the insured in Egypt, Jordan, Lebanon, Syria, and GCC countries;
- expanding the age scale to include the people at the age of 18–21 years;
- not applying the depreciation condition in case of total loss.

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. 341000062919 on Jumada Al-Awwal 19, 1435 A.H. (corresponding to March 30, 2013G).

## **8. Workers' Compensation Insurance**

Coverage in this type of insurance includes indemnity against damage and any indemnities paid to the employees entitled to get such indemnities pursuant to the provisions of the workers indemnity law. This coverage further includes the injuries covered in the policy (bodily injury, illness, and other physical, mental, or psychological damage, including death resulting therefrom).

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/2111 on Dhu al-Qi'dah 16, 1431 A.H. (corresponding to September 10, 2014G).

## **9. Business Interruption Insurance (Fire)**

Coverage in this type of insurance includes loss of profit because of reduction in the sales cycle resulting from stop of work after damage is caused to the insured's properties, thereby causing danger to the insured. Besides, this policy shall be obtained along with the company's insurance policy against fire.

This policy covers insurance for the following:

- loss in total profits;
- increase in work costs;

Optional coverage is also available to the following:

- Accidental breakdown in the general supplies of electricity/gas/water;
- damage caused to the insured's building because of the risk covered under the fire insurance policy;
- damage caused to the suppliers' building because of the risks covered under the fire insurance policy;

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/11824 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

## **10. Contractor's All Risks Insurance**

Coverage in this type of insurance includes physical damage and third party liability.

### **A. Physical Damage:**

The company shall indemnify the insured for any loss or sudden and unexpected damage resulting in fixing the damage or replacing the devices, in an amount not exceeding the amount agreed upon in this agreement and the exceptions not covered by the policy. Besides, the company shall pay back to the insured the costs of removing the wastes resulting from such damage or accident pursuant to the conditions agreed upon in the policy.

#### **B. Third party liability:**

The company shall indemnify the insured for any amounts that legally shall be paid by it as indemnities resulting from the following:

- accidental bodily injury or diseases caused to third party (whether or not fatal);
- accidental loss or damage caused to third party's properties.

Such liability is directly related to installing the insured persons' devices, provided that such damage takes place in or directly next to the work site during the coverage period.

The company shall further indemnify the insured for the following:

- all costs and charges of judicial disputes that are granted to the claimant against the insured;
- all costs and charges borne by the insured to obtain written approval from the company to pay the indemnities (submitting reports by experts or others).

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/363 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

### **11. Erection All Risk Insurance**

This insurance includes coverage of all risks, excluding those specifically excluded and the risks related to storage, collection, or installation. It further covers the period of testing the devices and preparing it for operation in the factory. Besides, the insurance coverage includes additional risks such as third party liability.

#### **A. Physical Damage:**

The policy covers unexpected losses and damage resulting in fixing the damage or replacing the devices. In addition, the company shall indemnify the insured in cash or replace or fix the damaged parts (pursuant to the company's resolution), in an amount not exceeding that agreed upon in this agreement.

#### **B. Third party liability:**

The company shall indemnify the insured for any amounts that legally shall be paid by it as indemnities resulting from the following:

- accidental bodily injury or diseases caused to third party (whether or not fatal);
- accidental loss or damage caused to third party's properties.

The company shall further indemnify the insured for the following:

- all costs and charges of judicial disputes that are granted to the claimant against the insured;
- all costs and charges borne by the insured to obtain written approval from the company to pay the indemnities (submitting reports by experts or others).

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/363 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

### **12. Machinery Insurance**

This insurance includes coverage of the unexpected or sudden losses or damage resulting from defaults in metallurgy, materials, design in the workshop, or installation or from factory default, omission, water shortage in the boilers, explosion, tear because of centrifugal force, defect in the circuit, or any other reason necessitating fixing or replacing the equipment and devices during the insurance period.

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/363 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

### **13. Contractors' Plant and Machinery Insurance**

This insurance includes insurance coverage against accidental damage caused to the contractor's equipment such as the pulling equipment, cranes, harrows, drilling machines, mixers, rock grinders, road pavement machines, etc. The policy further covers the damage/losses resulting from a diverse set of reasons including but not limited to fire and fire-related risks, burglary, theft, and incidental damage.

Coverage includes contractors' equipment at the site specified for the project, at the time of work or break, or at the time of dismantling such equipment either for cleaning or maintenance.

This insurance coverage of the policy may be extended in consideration of additional premiums to include the following:

- injuries of third party's workers or damage of properties;
- cost of evacuation/removal of wastes after the accident;
- loss of/damage to adjacent properties.

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter no. IS/363 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

#### **14. Electronic Equipment Insurance**

This insurance includes insurance coverage for the unexpected damage caused to the electronic equipment, thereby necessitating fixing or replacing such equipment. The policy further covers the damage/loss resulting from fire and fire-related risks, breakdown, burglary, and incidental damage. Besides, the insurance policy covers the accidental damage caused to and losses of the electronic equipment such as devices of dealing with environment, signals units, transmission units, control panels, and supervision units.

The company obtained final approval for this product from Saudi Arabian Monetary Agency by virtue of letter No. IS/363 on Shawwal 18, 1431 A.H. (corresponding to September 26, 2010G).

#### **15. Road and Marine Cargo Insurance**

This insurance includes coverage for the losses of and damage caused to the goods during land or marine transportation. Besides, the bases for coverage shall be in accordance with the international conditions approved in the international markets in this respect. Besides, coverage of marine and land shipment shall include all risks and coverage against fire, drown of ships, and destroy of the land carrier.

#### **16. Electronic Equipment Insurance**

This insurance provides coverage for the unforeseen or sudden tangible damage, which affects the electronic equipment and requires repair or replacement. The policy covers the damage/losses caused by fire and associated risks, malfunctions, armed robbery, and incidental damage. The insurance policy also covers accidental damage and losses to the electronic equipment; e.g. equipment for electronic data processing, wired and wireless telecommunication devices, broadcasting and reception installation, materials testing and research equipment, signal units, transmission and control units, and supervision units.

The Company has obtained the final approval for this product from the Saudi Arabian Monetary Agency under letter No. 363/IS dated 18/10/1431H (corresponding to 26/09/2010G).

#### **17. Marine and Land Cargo Insurance**

This insurance covers the losses and damages of goods in the course of transportation by sea or land. The coverage basis shall conform to the approved international conditions in the global markets in this regard. Sea and land shipment coverage includes all risks, primary coverage, fire, drowning, and destruction of land carrier.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 364/IS dated 11/02/1429H (corresponding to 21/03/2005G).

#### **18. Money Insurance**

This coverage includes the following:

1. Insuring money while being in a closed safe or impenetrable room in the insured's premises;
2. Insuring money while being anywhere of the insured's premises during the regular working hours, on condition that such money is not left unattended any time.;
3. Insuring the road-transported money for the payment of wages and/or salaries: This insurance is valid as from the moment of receiving the money from the Bank up to the moment of delivering the same in the insured's premises and while being inside such building for 48 hours, on condition that it is kept in a closed safe or impenetrable room after the working hours;
4. Insuring the road-transported money for payments other than wages and/or salaries: This insurance is valid as from the moment of receiving the money from the Bank up to the moment of delivering the same in the insured's premises, and upon same, the insurance coverage ends and becomes invalid. Alternatively, the coverage is valid during transportation of the money from the insured's premises until delivered to the Bank or any other building of the insured, upon which, the insurance coverage ends and becomes invalid.

5. Insuring any other road-transported money as agreed under the policy: With respect to sections (3), (4), and (5) above, insurance liability shall not be cumulative for any claim; rather, compensation shall be limited to the extent of applicable related liability mutually agreed upon between the company and insured.,
6. Loss or damage to the safe/ impenetrable room defined in every policy, due to theft or attempted theft.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 359/IS dated 10/02/1429H (corresponding to 17/02/2008G).

## **19. Comprehensive Liability Insurance**

This insurance covers the legal liability where the insured is responsible for paying for same under the Law; e.g. compensation to third parties because of causing them any injury or accidental bodily injuries, including death, illness, or damage, as well as any losses or damages to property of third parties, which arise in the context of the insured's performance of his job duties, profession, or business.

General liability insurance provides coverage against legal liabilities towards third parties, which are related to the insured's works / business to be carried out in specific places mutually agreed upon between the parties. Coverage of this policy includes legal liability for damage, expenses, and the costs resulting from:

- Bodily injury suffered by any person by mistake; and
- Damage to property by mistake.

It is prerequisite that the damage is caused in the places defined in the policy and during the effective period thereof, and the lawsuit must be filed within (12) months from the expiration date of policy term.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 361/IS dated 10/02/1429H (corresponding 17/02/2008G).

## **20. Burglary Insurance (Business Premises)**

This insurance covers damage to or loss of any property covered by the insurance during its presence inside the premises defined in the policy as a result of robbery accompanied by entry or exit by force and violence, or using any other means of threatening.

The coverage of this policy also includes the building that houses the property being insured against damage as a result of robbery that is accompanied by entry or exit by force and violence, or using any other means of threatening, provided that such coverage does not exceed (5%) of the value of the insured contents.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 358/IS dated 10/02/1429H (corresponding to 17/02/2008G).

## **21. Fidelity Guarantee Insurance**

This insurance covers damage or damages where an employee or employees, in the course of performing their tasks defined in the policy, commit any act or acts of forgery, fraud, embezzlement, theft, or seize of custody that includes money or goods of the insured. The Company shall compensate for the damage sustained by the insured directly because of such acts, after deducting all the salaries, commissions, funds, property, assets, and properties of the employee or employees that are held by the company or under its control, to the extent of amount not exceeding the value of the committed damage and not exceeding the total insurance amount mutually agreed upon in the policy.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 357/IS dated 10/02/1429H (17/02/2008G).

## **22. Medical Insurance**

This insurance covers the provision of health care to the insured through a network of providers nominated by the insurance company. It also includes any other person employed by the insured and is included in the recent records whose age is not above (65 years) when joining the insurance coverage, as well as the dependants (wives and children) of the married employee who are listed in the records of the insured and lawfully residing in the Kingdom of Saudi Arabia.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 357/IS dated 10/02/1429H (17/02/2008G).

## 23. Fire Insurance

This insurance provides compensation to the insured in case any property of the insured sustains destruction or damage resulting directly from fire, lightning, or explosion, within the insurance term defined in the insurance policy. The Company shall pay the insured the value of the property at the time of the destruction, the value of the damage to the property, or the value of the repairs incurred by the company, the cost of Restitution and integration, or replacing the property or any part thereof within the limits of the amount mutually agreed upon with the insured in the policy.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 357/IS dated 10/02/1429H (17/02/2008G).

## 24. Property Insurance

This insurance provides coverage to the insured property or any part thereof in case of destruction or tangible damage by tortuous act. The property may include buildings, machinery and equipment, devices and tools, inventory, furniture, office equipment, and fixtures. The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 357/IS dated 10/02/1429H (17/02/2008G).

## 25. Recoverable Takaful Savings Insurance

This policy can be purchased from the age of 18 to 58 years. It can be purchased in accordance with the following periods:

12 years: 20% of the insurance amount is payable to the insured after 4 years from the effective date of the policy, and plus additional 20% after 8 years from the effective date of the policy, and then 60% upon completion. Taking advantage of the insurance value is possible only if the insured is alive on maturity.

15 years: 20% of the insurance amount is payable to the insured after 5 years from the effective date of the policy, plus additional 10% after 10 years from the effective date of the policy, and then 60% upon completion. Taking advantage of the insurance value is possible only if the insured is alive on maturity.

18 years: 20% of the insurance amount is payable to the insured after 6 years from the effective date of the policy, plus additional 20% after 12 years from the effective date of the policy, and then 60% upon completion. Taking advantage of the insurance value is possible only if the insured is alive on maturity.

In case the insured sustains an accident, at any time where the policy is payable in the full insured amount, and before expiry date thereof provided that all premiums are paid, and this accident caused a permanent disability or death which is satisfactorily proven to the company, the Company hereby agrees as follows:

In the case of disability (1) the Company pays monthly compensations for a period of 10 years with an additional amount equal to the insured amount under this policy. If this policy is subject to claim before the end of the 10-year term, the compensations of total disability benefit shall be paid, even if they are not payable, with the claim, and (2) the Company shall waive future premium payments (if possible).

In case of the death of the insured, an additional amount equal to the value of insurance under the policy shall be paid, in case the insured sustains any bodily injury that directly led, within 180 days after occurrence, to the death of the insured. In any case, the total additional payable amount shall not exceed SAR 500,000.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

## 26. Double Takaful Savings Insurance

Acquisition of this policy begins from the age of 18 to 55 years. In case the policy is due for payment, the amount of insurance and the dividends shall be paid to the insured. In case of death during insurance term, the double amount of insurance is due to the insured. The policy term ranges between 5 to 25 years.

In case the insured sustains an accident, at any time the policy is payable in the full insured amount, and before expiry date thereof provided that all premiums are paid, and this incident led to a permanent disability or death as proven satisfactorily to the Company, the Company hereby agrees as follows:

In the case of disability (1) the Company pays a monthly compensation for a period of 10 years with an additional amount equal to the insured amount under this policy. If this policy has become a claim before the end of the 10-year term, the compensations of total disability benefit shall be paid, even if they are not payable, with the claim, and (2) the Company shall waive future premiums payments (if possible).



In case of the death of the insured, an additional amount equal to the value of insurance under the policy shall be paid, in case the insured sustains any bodily injury that directly led, within 180 days after occurrence, to the death of the insured. In any case, the total additional payable amount shall not exceed SAR 500,000.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

## **27. Protection Insurance**

Acquisition of this policy begins from the age of 18 to 55 years. The amount of insurance shall be paid in case of death during insurance term. This policy does not include savings.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

## **28. Takaful and Savings Insurance**

Acquisition of this policy begins from the age of 18 to 65 years. In case the policy is payable, the amount of insurance (equal to the amount of death if occurred before the policy is payable), as well as the dividends, shall be payable to the insured. The policy period is from 5 to 25 years.

In case the insured sustains an accident, at any time the policy is payable in the full insured amount, and before expiry provided that all the premiums are paid, and this incident led to a permanent disability or death and this was proven satisfactorily to the Company, the Company hereby agrees as follows:

In the case of disability (1) the Company pays a monthly compensation for a period of 10 years with an additional amount equal to the insured amount under this policy. If this policy has become a claim before the end of the 10-year term, the compensations of total disability benefit shall be paid, even if they are not payable, with the claim, and (2) the Company shall waive future premiums payments (if possible).

In case of the death of the insured, an additional amount equal to the value of insurance under the policy shall be paid, in case the insured sustains any bodily injury that directly led, within 180 days after occurrence, to the death of the insured. In any case, the total additional payable amount shall not exceed SAR 500,000.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

## **29. Recoverable Takaful Savings and Protection for Life Insurance (with Dividends)**

Acquisition of this policy begins from the age of 18 to 65 years. In case the policy is payable, the amount of insurance as well as the dividends, shall be payable to the insured. The policy period is from 5 to 25 years.

In case the insured sustains an accident, at any time the policy is payable in the full insured amount, and before expiry provided that all the premiums are paid, and this incident led to a permanent disability or death and this was proven satisfactorily to the Company, the Company hereby agrees as follows:

In the case of disability (1) the Company pays a monthly compensation for a period of 10 years with an additional amount equal to the insured amount under this policy. If this policy has become a claim before the end of the 10-year term, the compensations of total disability benefit shall be paid, even if they are not payable, with the claim, and (2) the Company shall waive future premiums payments (if possible).

In case of the death of the insured, an additional amount equal to the value of insurance under the policy shall be paid, in case the insured sustains any bodily injury that directly led, within 180 days after occurrence, to the death of the insured. In any case, the total additional payable amount shall not exceed SAR 500,000.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

## **30. Child Benefit Insurance (with Dividends)**

Under this insurance, the breadwinner of the child (father or mother) is insured and the benefit of the policy shall be entitled to the child. 20% of the insurance amount for each of the last three years of the policy is payable to the insured, then the insured gets 40% and the dividends distributed at the end of the policy, provided that the insured is alive at that date. The policy period is from 10 to 25 years.

In case the insured sustains an accident, at any time the policy is payable in the full insured amount, and before expiry provided that all the premiums are paid, and this incident led to a permanent disability or death and this was



proven satisfactorily to the Company, the Company hereby agrees as follows:

In the case of disability (1) the Company pays a monthly compensation for a period of 10 years with an additional amount equal to the insured amount under this policy. If this policy has become a claim before the end of the 10-year term, the compensations of total disability benefit shall be paid, even if they are not payable, with the claim, and (2) the Company shall waive future premiums payments (if possible).

In case of the death of the insured, an additional amount equal to the value of insurance under the policy shall be paid, in case the insured sustains any bodily injury that directly led, within 180 days after occurrence, to the death of the insured. In any case, the total additional payable amount shall not exceed SAR 500,000.

The Company has obtained the final approval for the product from the Saudi Arabian Monetary Agency under letter No. 487/IS dated 15/03/1431H (corresponding to 16/01/2014G).

The company confirms that it has no plans to introduce new products in the current period.

## 4.12 Reinsurance

The Company reinsures part of the risks that are insured under the insurance operations carried out by the Company so as to minimize its exposure to losses, stabilize its profits, and protect its capital sources in accordance with the Implementing Regulations.

**Table 4.6: The reinsurance companies with which the company cooperates**

No.	Reinsurers	Country	Classifiers	Classification	Status
1	Swiss Re	Switzerland	A.M Best	A+	Positive
2	Hannover Re Takaful	Bahrain	A.M Best	A+	Positive
3	Hannover Re Group	France	A.M Best	A+	Positive
4	GIC Re	UAE	A.M Best	A-	Stable
5	Malaysian Re	UAE	A.M Best	A-	Stable
6	New India Assurance	India	A.M Best	A-	Stable
7	Saudi Re	Saudi Arabia	S and B	BBB+	Stable
8	ACR Re Takaful	Bahrain	A.M Best	A-	Stable
9	Emirates Re	UAE	A.M Best	A++	Good
10	Takaful Re	UAE	A.M Best	B+	Good

Source: Wafa Insurance

## 4.13 Technical Provisions (Reserves)

Technical reserves are calculated according to the requirements of the Saudi Arabian Monetary Agency based on the accounting standards approved by the Saudi Organization for Certified Public Accountants, and in accordance with the scientific standards approved by the actuary. Such provisions (reserves) include the following:

### 4.13.1 The Reserve for Unearned Premiums

The technical reserves related to the policies that are in effect after the end of the fiscal year that are calculated for the period in which those policies are in effect.

### 4.13.2 The Reserve for Outstanding Claims

The technical provisions related to the claims arising and reported to the Company, but are not yet paid. They are of equivalent value of the losses claimed by the insured.

### 4.13.3 The Reserve for the Claim Expenses

The claim expenses represent additional sums of money paid by insurance companies to research and surveying teams and settlement of professional losses by assessing the claims. A reserve shall also be determined for such expenses of unpaid claims.

#### **4.13.4 The Reserve for Unreported Arising Claims**

The reserves for unreported arising claims represent the Company's expectations for the arising losses that have not been claimed before the end of the fiscal year, but according to the Company's experience, they shall be claimed later, particularly those related to medical insurance and general liability.

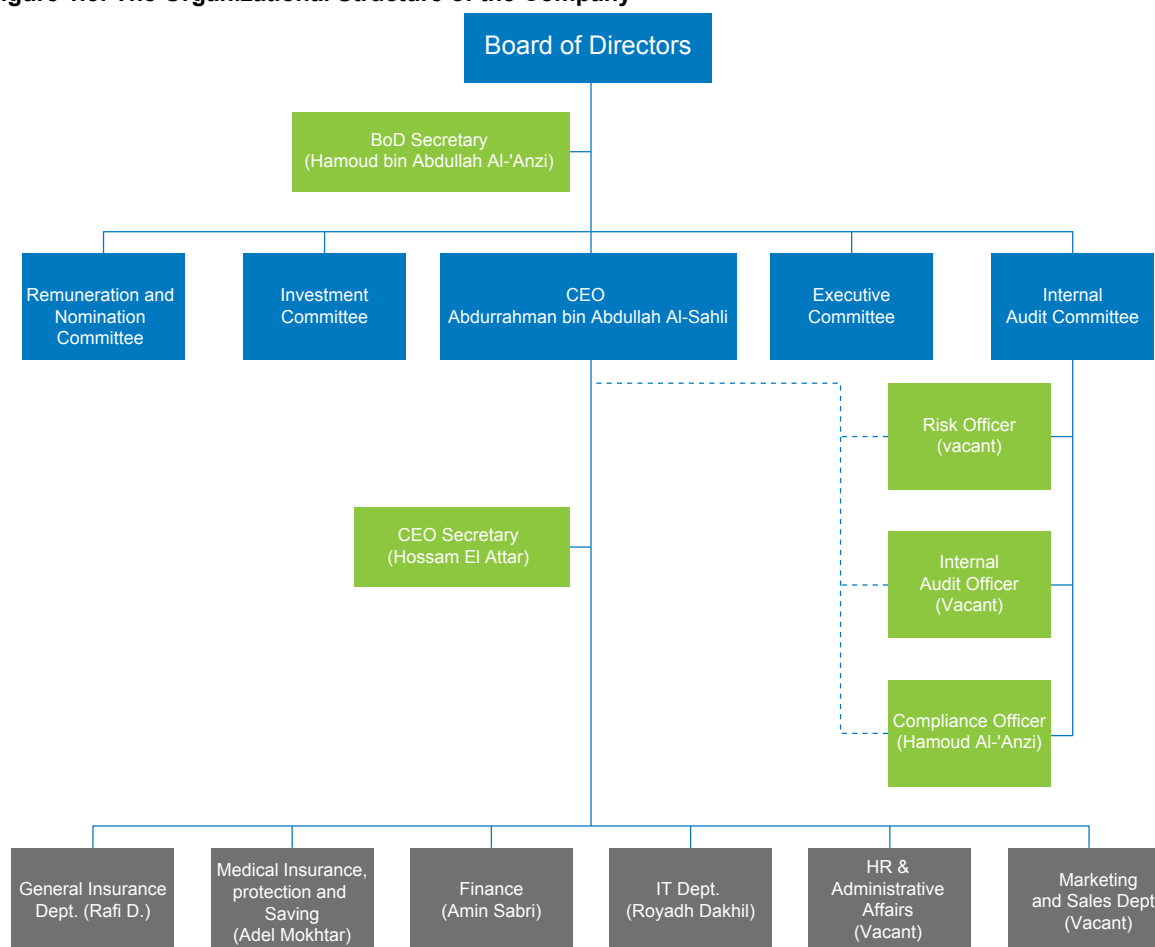
#### **4.13.5 The Reserve for Disaster Risk**

This is an additional reserve allocated by the Company and it increases year after year to meet any unexpected catastrophic incidents involving multiple simultaneous losses that may affect the insurance activities held by the Company.

## 5. Company's Organizational Structure and Governance

### 5.1 The Organizational Structure of the Company

Figure 1.5: The Organizational Structure of the Company



Source: Wafa Insurance

### 5.2 Board of Directors

The Company is managed by a Board of Directors comprising of (9) members appointed by the Ordinary General Assembly. The Board has several sub-committees, namely: the Executive Committee, Audit Committee, the Nomination and Remuneration Committee, and the Investment Committee. These committees support the Board of Directors to monitor and review the Company's activities and to provide the necessary guidance and advice to the Company's management. The main responsibility of the Board is to ensure the continued success of the Company in the long run. This includes:

- Reviewing and directing the Company's strategy, risk management policies, financial planning, annual budgets, and plans of action recommended by the Company's management;
- Developing the objectives of the overall performance of the Company;
- Supervising the main capital expenditures;
- Reviewing the Remuneration Committee decisions for the senior management of the Company and Board Members;
- Monitoring and managing potential conflicts of interests among members of senior management, members of the Board, and shareholders;

Ensuring the adequacy and effectiveness of the internal accounting systems and preparing the financial reports of the Company, including supporting the auditing/independent reviewing departments and ensuring the existence and application of appropriate supervisory systems, especially risk control systems, financial procedures, regulatory compliance, and the relevant rules;

- Monitoring the effectiveness of the Company's governance policies; and
- Supervising the disclosure made by the Company.

The Board of Directors for the current (third) session which began on 17/07/2013G was formed of the following names:

**Table 5.1: Board Members**

No.	Name	Position	Nationality	Age	Qualification Shares	Direct Ownership Shares	Indirect Ownership Shares	Membership Status		Representation / Name of the Representative	Membership Date
								Independent	Executive / Non-Executive		
1	Saleh bin Abdullah bin Saleh Al-Henaki	Chairman	Saudi	42	315	315	-	Independent	Non-Executive	-	06/02/2011G
2	Mohammad bin Abdullah bin Mohammad Al-Arifi	Member	Saudi	52	500	500	-	Independent	Non-Executive	-	26/06/2007G
3	Majed bin Abdullah bin Hamad Al-Hogail	Member	Saudi	47	20	20	-	Independent	Non-Executive	-	26/03/2011G
4	Fouad bin Abdullah bin Abdurrahman Al-Rashed	Member	Saudi	44	70	70	-	Independent	Non-Executive	-	17/07/2013G
5	Yasser bin Faisal bin Yahya Al-Sharef	Member	Saudi	41	237	237	-	Independent	Non-Executive	-	17/07/2013G
6	Saleh bin Abdul Aziz bin Al-Abdullah Al-Subail*	Member	Saudi	66	280	280	-	Independent	Non-Executive	-	10/10/2011G
7	**	Member	-	-	-	-	-	-	-	-	-
8	***	Member	-	-	-	-	-	-	-	-	-
9	****	Member	-	-	-	-	-	-	-	-	-

Source: Wafa Insurance

The member Saleh Al-Subail has resigned from the post of Chief Executive Officer of the Company but he is still a Board Member.

\*\* Sushhoban Sarkar, a Board Member, was appointed as a representative of the Indian Company for Life Insurance on 12/05/2012G and resigned on 01/06/2014G.

\*\*\* Rambahadran Sredharan Bilay, a Board Member, was appointed as a representative of New India Assurance Co. Ltd. On 20/03/2012G and resigned on 13/07/2014G.

\*\*\*\* Thamohadran Ramsami, a Board Member, was appointed as a representative of Life Insurance Corporation of India on 06/12/2010G and resigned on 01/07/2014G.

- Appointing new members requires the approval of SAMA and it is expected that new members will be appointed during Q1 2015G.
- Most of the Board Members have qualification shares less than the minimum, as prescribed by the Companies Law, and the Company is currently working on amending this, which is expected to be done during Q1 2015G.
- The reason behind the resignation of the three above-mentioned members is retirement from the companies they represent in the Board of Directors since these companies fall within the Indian Government.

## 5.2.1 A Brief Introduction of the Board Members

No.	A Brief Introduction of the Members of the Board of Directors	
1.	Name	Saleh bin Abdullah bin Saleh Al-Henaki
	Age	42
	Nationality	Saudi
	Current Position	Chairman of the Board of Directors
	Date of Appointment	06/02/2011G
	Qualification	<ul style="list-style-type: none"> <li>• He holds a Bachelor's Degree in quantitative methodologies from King Saud University in Riyadh, 1994, Kingdom of Saudi Arabia;</li> <li>• He holds a Master's Degree in actuarial sciences in 2002G from the University of Michigan, USA; and</li> <li>• He holds a Master's Degree in economics, 1998 from the University of Colorado, USA</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>• Served as a bank inspector in the Saudi Arabian Monetary Agency, from 1998 to 2006G;</li> <li>• Served as the first director of Asset Department at AlRajhi Bank, which is a public shareholding company operating in the banking sector, from 2006G to 2007G;</li> <li>• Served as director of Asset Department at Falcom Financial Services Company, which is a Saudi closed Joint Stock Company that operates in all securities since 2007G to 2014G;</li> <li>• Currently serves as the Chief Executive Officer of Alinma Investment Co., which is a Saudi closed Joint Stock Company that operates in all securities from 2014G till now; and</li> <li>• Currently serves as a board member in Jazal Al Arabiya Co., which is a Saudi closed Joint Stock Company engaged in the business of investment, from 2014G till now.</li> </ul>
2.	Name	Mohammad bin Abdullah bin Mohammad Al-'Arifi
	Age	52
	Nationality	Saudi
	Current Position	Board Member
	Date of Appointment	23/06/2007G
	Qualification	He holds a Bachelor's Degree in Agricultural Science in 1989, the University of California, USA.
		<ul style="list-style-type: none"> <li>• Served as the General Manager of Al Safi Danone Company, which is a Saudi limited liability company engaged in the activity of dairy production, from 1997G to 2002G;</li> <li>• Vice President for Development and Investment in Fawaz Al Hokair Group, which is a public shareholding company engaged in the activities of clothing, real estate, and investment business both in wholesale and retail, from 2006G till now;</li> <li>• Currently serves as a Board Member in Fez Holding Company, which is a Saudi limited liability company engaged in real estate activities, from 2007G till now;</li> <li>• Currently serves as a Board Member in the Arabian centers, which is a Saudi limited liability company operating in trading and marketing, from 2007G till date;</li> <li>• Currently serves as a Board Member in Haagen Company Limited, which is a Saudi limited liability company operating in printing activities, from 2007G till date;</li> <li>• Currently serves as a Board Member member in a company with Ghraa Telecommunication Company, which is a Saudi limited liability company operating in Communications and Information Technology, from 2008G till now; and</li> <li>• Currently serves as the Director and Partner in Ray Gulf Company, which is Saudi limited liability company operating in construction and contracting, from 2008G till now.</li> </ul>

3.	Name	Majed bin Abdullah bin Hamad Al-Hogail
	Age	47
	Nationality	Saudi
	Current Position	Board Member
	Date of Appointment	26/03/2011G
	Qualification	<ul style="list-style-type: none"> <li>• He holds a Bachelor's Degree in accounting, King Saud University in Riyadh, 1410; and</li> <li>• He holds a Master of Business Administration, the University of Illinois, USA, 1999.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>• Served as the Chief Financial Officer of Al Safi Danone Company, which is a Saudi limited liability company engaged in the activity of dairy production, from 1999 to 2003G;</li> <li>• Currently serves as Chief Executive Officer of Rafal Real Estate Development Company, which is a limited liability company operating in real estate development from 2007G till now;</li> <li>• Currently serves as a Board Member of AlJazira Capital Company, which is a Saudi Joint Stock Company operating in securities business, from 2013G till now;</li> <li>• Currently serves as a Board Member of Flynas Company, which is a Saudi holding company operating in air services, from 2013G till now;</li> <li>• Currently serves as a Board Member of Bank AlJazira Company, which is a Saudi Joint Stock Company operating in banking services, from 2012G till now; and</li> <li>• Currently serves as a Board Member of Rafal Real Estate Development Company, which is a limited liability company operating in real estate development from 2007G till now;</li> </ul>
4.	Name	Fouad bin Abdullah bin Abdurrahman Al-Rashed
	Age	44
	Nationality	Saudi
	Current Position	Board Member
	Date of Appointment	17/07/2013G
	Qualification	<ul style="list-style-type: none"> <li>• Holds a Higher Diploma in Accounting in 1996, Economic Institute, the University of Colorado, USA;</li> <li>• He holds a Bachelor's Degree of Accounting, King Saud University, Kingdom of Saudi Arabia, 1992;</li> <li>• Passed the CIA Fellowship of Internal Auditors test, USA, 2002G;</li> <li>• Passed the Saudi Organization for Certified Public Accountants test, 1997, Kingdom of Saudi Arabia; and</li> <li>• Passed the CPA test "Fellowship of American Accountants", USA, 1996</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>• He served as the Chief Financial Officer in the Saudi Organization for Industrial Estates and Technology Zones which operates in developing integrated services industrial lands, from 2004G to 2007G;</li> <li>• Served as the Vice Chairman of Finance and Administration in Abdulaziz Mohammed Habib Investment Company which operates in the development of the real estate sector, from 2007G to 2012G;</li> <li>• Currently serves as Chief Executive Officer of Asala Holding Company, which is a Saudi limited liability company operates in real estate investment, from 2012G till now; and</li> <li>• Currently serves as a Board Member in the International Real Estate Consulting Company, which is a Saudi limited liability company operates in real estate investment, from 2014G till now.</li> </ul>

5.	Name	Yasser bin Faisal bin Yahya Al-Sharef
	Age	41
	Nationality	Saudi
	Current Position	Board Member
	Date of Appointment	17/07/2013G
	Qualification	<ul style="list-style-type: none"> <li>• He holds a Bachelor's Degree in Business Administration, King Saud University in Riyadh, 1995; and</li> <li>• He holds a Master's Degree in Risk Management, 2010G, New York University, USA.</li> </ul>
6.	Experiences	<ul style="list-style-type: none"> <li>• Served as the Director of Market Risk Department in the Arab National Bank, which is a public Saudi joint stock company operating in the banking sector, from 2003G to 2006G;</li> <li>• Served as the Chief Executive of Risk Management and Auditing in Jadwa Company, which is a Saudi closed shareholding company operating in financial services from 2006G to 2008G;</li> <li>• Served as the Chief Executive Officer of Risks in Saad Group, which is a Saudi Joint Stock Company operating in financial services, from 2006G till 2011G;</li> <li>• Served as the Chief Executive Officer of the Manafea Holding Company, which is a Saudi holding company operating in financial and real estate investment, from January 2011G to June 2014G;</li> <li>• Currently serves as the Managing Director of Maceen Company, which is a Saudi closed Joint Stock Company operating in financial services and investment, from 2014G till now;</li> <li>• Currently serves as a Board Member of Afaq Capital Investment Company, which is a Saudi limited liability company operating in investment and development, from 2013G till now.</li> </ul>
	Name	Saleh bin Abdul Aziz bin Al-Abdullah Al-Subail
	Age	66
	Nationality	Saudi
	Current Position	Board Member
	Date of Appointment	10/10/2011G
	Qualification	<ul style="list-style-type: none"> <li>• He holds a Bachelor's Degree in the Arabic Language, Faculty of Arabic Language in Riyadh, Kingdom of Saudi Arabia, 1975; and</li> <li>• He holds a Master's Degree in Social Sciences, University of West Michigan, 1981, USA.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>• Served as the vice Chairman of major accounts in the Cooperative Assurance Company, which is a public Saudi joint stock company operating in the insurance sector, from 1997G to 2011G;</li> <li>• Served as Managing Director and Chief Executive Officer of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance), which is a Joint Stock Company operating in the insurance sector, from 2011G to 2014G;</li> <li>• Currently serves as a Board Member of Najm for Insurance Services, which is a Saudi Joint Stock Company operating in the estimation of accidents and insurance services, from 2013G till now; and</li> <li>• Currently serves as a Board Member in the Council of Cooperative Health Insurance, which is a government organization that monitors health insurance in Saudi Arabia, from 1434H till now.</li> </ul>



## 5.2.2 A Brief Introduction of the Board Secretary

No.	A Brief Introduction of the Board Members	
1.	Name	Hamoud bin Abdullah Al-'Anzi
	Age	27
	Nationality	Saudi
	Current Position	Secretary of the Board of Directors
	Date of Appointment	22/09/2013G
	Qualification	<ul style="list-style-type: none"> <li>He holds a Master's Degree in Insurance Systems, 2012G, University of Connecticut, USA; and</li> <li>He holds a Bachelor's Degree in law, 2009G, King Saud University, Kingdom of Saudi Arabia.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>Serves as the Compliance Officer and Secretary of the Board of Directors of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance), which is a Joint Stock Company operating in the insurance sector, from 2013G till now.</li> </ul>

## 5.2.3 Compensations and Remunerations for Board Members and Senior Executives

The compensations and remunerations for the Board Members are proposed by the Nomination and Remuneration Committee in accordance with the Articles of Association of the Company, which are then submitted to the Board of Directors to be approved by the Annual General Meeting in accordance with the official decisions and regulations in this regard and within the limits stipulated in regulations and laws of companies and complementary regulations.

The total salaries, bonuses, and allowances for five senior executives, including the Chief Executive Officer and Chief Financial Executive Officer, amounted to SAR 3,422,635 in 2011G, SAR 3,135,985 in 2012G, and SAR 3,684,581 in 2013G, which are all in forms of salaries, compensations, allowances, and bonuses. The total bonuses and allowances for the Board Members amounted to SAR 160,500 in 2011G, SAR 1,023,000 in 2012G, and SAR 1,128,000 in 2013G, which are all in forms of salaries, compensations, allowances, and bonuses.

**Table 5.2: The bonuses and benefits earned by Board Members and the top five Executives, including the including the Chief Executive Officer and Chief Financial Executive Officer during 2011G, 2012G, and 2013G**

In Saudi Riyal	2011G	2012G	2013G
Independent and Non-Executive Board Members	160,500	1,023,000	1,128,000
Executive Board Members (the Chief Executive Officer)*	1,805,219	1,335,000	1,338,000
Senior Executives	1,617,416	1,800,985	2,346,581
<b>Total Amount (SR)</b>	<b>3,583,135</b>	<b>4,158,985</b>	<b>4,812,581</b>

Source: Wafa Insurance

Saleh bin Abdul Aziz bin Al-Abdullah Al-Subail, the CEO, resigned on Wednesday 12/21/1435 AH corresponding to 15/10/2014G.

## 5.2.4 Senior Executives Contracts

Some members of the senior management and senior executives have entered into fixed-term service contracts with the Company that include the conditions for recruitment and their allowances.

Mr. Abdurrahman bin Abdullah Al-Sahli signed a contract of employment with the Company on 1/10/2014G. Under this contract, he was appointed as Chief Executive Officer of the Company.

This contract is in effect starting from 15/10/2014G for a period of two (2) years and may be renewed for similar period(s) by mutual consent, unless either party notifies the other party of the desire of non-renewal in writing before (30) days from the end of the agreed term.

Mr. Abdurrahman bin Abdullah Al-Sahli, under the terms of this contract, is paid a monthly salary in addition to a bonus of three hundred riyals (SR 300.000) in case the net operations profit is achieved according to the annual budget approved by the Board of Directors. He shall be committed not to have any other job for the duration of this contract, whether paid or free of charge, and regardless of doing the other job during leave, public holidays, or outside the official working hours of the Company.

According to this contract, Mr. Abdurrahman bin Abdullah Al-Sahli acknowledges keeping all of the confidential information related to the Company's activities under the seal of secrecy and pledges not to disclose to any other person or entity.

Mr. Amin Ibrahim Amin Sabri signed a contract of employment with the Company on 01/05/2013G. Under this contract, Mr. Amin Ibrahim Amin Sabri was appointed in the position of Chief Financial Officer of the Company.

This contract shall be in effect starting from 05/01/2013G for one year (1) and may be renewed for similar period(s) by mutual consent, unless one of the parties shall notify the other the desire of non-renewal in writing before (30) days from the end of the agreed term.

Mr. Amin Sabri, under this contract, is paid a fixed annual compensation in addition to the usual allotment (housing and transportation allowance and annual tickets) that are granted to the occupants of this job. He shall be committed not to have any other job for the duration of this contract, whether paid or free of charge, and regardless of doing the other job during leave, public holidays, or outside the official working hours of the Company. According to this contract, Mr. Amin Sabri acknowledges keeping all of the confidential information related to the Company's activities under the seal of secrecy and pledges not to disclose to any other person or entity.

These agreements are subject to the Saudi Labor Law, and any disputes that may arise out them shall be resolved by the competent judicial authorities of Saudi Arabia.

### 5.3 Senior Executive Management

The Company performs its tasks under the chairmanship of the Chief Executive Officer of the Company, with a team comprising senior management members, and according to a organizational structure that is developed according to the Company's plans and direction of marketing to provide innovative products and solutions to its clients. It is worth mentioning that the Company has seven important vacant positions, namely: the Risk officer, Risk Manager of the Protection and Savings Department, Director of Reinsurance, Reinsurance Officer for Protection and Savings Department, Director of Human Resources and Administration Affairs, Director of Marketing and Sales Department, and the Internal Audit Coordinator. The Company is about to fill these vacancies in accordance with the requirements of Saudi Arabian Monetary Agency.

**Table 5.3: Members of the Senior Management Members**

No.	Name	Post	Nationality	Age	Appointment Date
1.	Abdurrahman bin Abdullah Al-Sahli	Chief Executive Officer	Saudi	50	15/10/2014G
2.	Amin Ibrahim Sabri	Chief Financial Officer	Jordanian	37	11/05/2013G
3.	Adel Idris Mukhtar Mohammad	Director of Medical Insurance	Sudanese	43	05/12/2009G
4.	Rafi Dodigarm	Director of General Insurance Operations	Indian	38	11/01/2012G
5.	Vacant	Human Resources and Administration Affairs	-	-	-
6.	Hammoud bin Abdullah Al-'Anzi	Compliance Officer and Secretary of the Board of Directors	Saudi	27	22/09/2013G
7.	Vacant	Risk Officer	-	-	-
8.	Vacant	Director of Marketing and Sales Department	-	-	-
9.	Riyad Abbas Al-Dokhail	Director of Information Technology Department	Saudi	32	06/10/2013G
10	Vacant	Internal Audit Coordinator	-	-	-

Source: Wafa Insurance

### 5.3.1 A Brief Introduction of the Members of Senior Executive Management

No.	A Brief Introduction of the Members of the Senior Executive Management	
1.	Name	Abdurrahman bin Abdullah Al-Sahli
	Age	50
	Nationality	Saudi
	Current Position	Chief Executive Officer
	Date of Appointment	15/10/2014G
	Qualification	<ul style="list-style-type: none"> <li>Bachelor's Degree of Agricultural Engineering, King Faisal University, Kingdom of Saudi Arabia, 1988 AD.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>Worked in Saudi Hollandi Bank from 2001G to 2014G as the Director of Insurance; and</li> <li>Worked in the Banque Saudi Fransi from 1999G to 2001G as the Director of Banking Insurance.</li> </ul>
2.	Name	Amin Ibrahim Sabri
	Age	37
	Nationality	Jordanian
	Current Position	Chief Financial Officer
	Date of Appointment	11/05/2013G
	Qualification	<ul style="list-style-type: none"> <li>He holds a Bachelor's Degree in Accounting, University of Applied Sciences, Jordan, 1999 G; and</li> <li>He holds a Master's Degree in Public Administration (MBA), New York University, USA, 2006G.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>Served as the Director of Accounts in the International General Insurance Company, which is a limited liability Jordanian company, from 2004G to 2008G;</li> <li>Served as the Chief Financial Officer of Al Nist Al Arabi Insurance Company, which is a Joint Stock Jordanian public company, from 2010G to 2013G; and</li> <li>Currently serves as the Chief Financial Officer of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance), which is a Joint Stock Company operating in the insurance sector, from 2013G till now.</li> </ul>
3.	Name	Adel Idris Mukhtar Mohammad
	Age	43
	Nationality	Sudanese
	Current Position	Director of Medical Insurance
	Date of Appointment	05/12/2009G
	Qualification	<ul style="list-style-type: none"> <li>He holds a Bachelor's Degree of Science, Microbiology, 1995, BAMU University, India.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>Served as an Assistant Director of the Medical Network of SAICO Insurance, which is a Saudi Joint Stock Company operating in the insurance sector, from 2006G to 2009G;</li> <li>Served as the Director of the Medical Network of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance) which is a Joint Stock Company operating in the insurance sector, from 2010G till 2011G;</li> <li>Served as the Director of the Medical Insurance Operations of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance) which is a Joint Stock Company operating in the insurance sector, from 2011G till 2012G; and</li> <li>Currently serves as the Director of the Medical Insurance of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance) which is a Joint Stock Company operating in the insurance sector, from 2014G till now.</li> </ul>

4.	Name	Rafi Dodigarm
	Age	38
	Nationality	Indian
	Current Position	Director of General Insurance Operations
	Date of Appointment	11/01/2012G
	Qualification	<ul style="list-style-type: none"> <li>He holds a Master's Degree in Business Administration, 2008G, University of IGNOU, India.</li> </ul>
	Experiences	<ul style="list-style-type: none"> <li>Served as Area Manager at Royal Sun Insurance Company, which is an Indian public shareholding company operating in insurance, from 2008G to 2009G;</li> <li>He served as an Assistant Director of General Insurance at the Saudi Indian Cooperative Insurance (Wafa Insurance), which is a Joint Stock Company operating in the insurance sector, from 2010G to 2014G; and</li> <li>Currently serves as the Technical Director of the Saudi Indian Company for Cooperative Insurance (Wafa Insurance), which is a Joint Stock Company operating in the insurance sector, from 2014G till now.</li> </ul>
5.	Name	Vacant
	Age	Human Resources and Administration Affairs
	Nationality	
	Current Position	
	Date of Appointment	
	Qualification	
	Experiences	
6.	Name	Hammoud bin Abdullah Al-'Anzi
	Age	Please see (5.2.2): A Brief Introduction of the Secretary of the Board of Directors
	Nationality	
	Current Position	
	Date of Appointment	
	Qualification	
	Experiences	
7.	Name	Vacant
	Age	Risk Officer
	Nationality	
	Current Position	
	Date of Appointment	
	Qualification	
	Experiences	
8.	Name	Vacant
	Age	Director of Marketing and Sales Department
	Nationality	
	Current Position	
	Date of Appointment	
	Qualification	
	Experiences	

9.	Name	Riyad Abbas Al-Dokhail
	Age	32
	Nationality	Saudi
	Current Position	Director of Information Technology Department
	Date of Appointment	06/10/2013G
	Qualification	He holds a Bachelor's Degree in Computer Engineering, King Fahd University of Petroleum and Minerals, 2006G, Kingdom of Saudi Arabia.
	Experiences	<ul style="list-style-type: none"> <li>• Served as the Assistant Director of Information Technology at AlRajhi Takaful Insurance Company, a Saudi Joint Stock Company operating in the insurance sector, from 2010G to 2013G; and</li> <li>• served as the Chief Analyst of Insurance Systems in AXA Cooperative Insurance Company, which is a Saudi Joint Stock Company operating in the insurance sector, from 2007G to 2010G.</li> </ul>
8.	Name	Vacant
	Age	Internal Audit Coordinator
	Nationality	
	Current Position	
	Date of Appointment	
	Qualification	
	Experiences	

## 5.4 Departments of the Company

### 5.4.1 General Insurance Operations Department (Policyholders and Claims)

The functions of the General Insurance Operations Department can be summed-up as follows:

- Developing policyholders policies and procedures;
- Preparing the policyholders guide and modifying it as needed;
- Providing appropriate assessment systems for the various databases;
- Developing and applying the general principles of the refined insurance operations;
- Dealing with the statutory and official authorities and conducting the necessary training for the policyholders insurance specialists and other staff;
- Collecting and assessing information about the risks involved;
- Estimating the potential risks with the help of the actuary specialist;
- Preparing the quotations and calculating the level of premiums using actuarial information, other statistics, and self-esteem;
- Pricing the offers, accepting and managing profitable and recommended risks;
- Discussing and formulating contracts with clients;
- Assisting in the development and application of reinsurance solutions to client;
- Management and insuring the preparation of clients' policies accurately and in a timely manner without delay; and
- Analyzing and monitoring the performance of the insurance portfolio.

Claims Services also focus on the development of the necessary professional expertise to raise the level of services provided to the plaintiffs of claims, since professionally-qualified individuals according to international standards are provided to departments so as to ensure the protection of the rights of the insured policyholders along with ensuring the protection of the interests of the Company.

Claims Services include the procedures for minimizing risk and reducing losses, which are executed through conducting a statistical analysis of the history of the client and the nature of the losses which, in turn, leads to improving continuous growth of profitable portfolios. The effective control of the costs is one of the main objectives for the Claims Department in the Company. This can be achieved through the following:

- Disposal of the recovered property;
- Recovery; and
- Checking the validity of claims.

In addition to dealing with the filed raised and communication with ceding companies on matters related to claims, the Claims Department of the Company conducts periodic audits of certain claims as well as comprehensive review of the procedures applicable in the Claims Department.

Fair and prompt settlements with the claimants, which are meeting the necessary conditions, are negotiated. For claims that are not covered, their owners shall be provided with adequate and immediate clarifications on the reasons of rejection of the claim. It is expected to reduce the losses that may be exposed to the Company through the speed recovery of the amounts due from reinsurers and effective follow-up of the claims filed against third parties about their liabilities. The recording and passing of all the transactions of claims in an appropriate manner, has been prepared.

Claim Directors (vehicles and general insurances) are responsible for:

- Applying claims procedures and submitting proposals to the senior management for discussion for the purpose of improvement and development where appropriate;
- Collecting information related to the processing of claims;
- Examining the claims and the relevant circumstances;
- Managing the preparation of claims documents as necessary and timely;
- Coordinating with the relevant departments to ensure speedy payment of sound claims;
- Assessing the impact of claim on the insurance portfolio as a whole and the quarterly/annual results;
- Ensuring a database with an appropriate structure to facilitate the actuarial usage for calculation of the final loss proportion and conducting the appropriate assessment of the means of pricing; and
- Developing recovery procedures of the amounts payable to the Company from the reinsurance companies to which the risks were referred.

#### **5.4.2 The Medical Insurance and Protection and Savings Insurance Department (Policyholders and Management of Documents)**

The functions of the Medical Insurance and Protection and Savings Insurance Department can be summed-up as follows:

- Developing policyholders policies and procedures;
- Preparing the policyholders guide and modifying it as needed;
- Applying the instructions of the official authorities with regard to the application of the unified insurance policies;
- Offering similar insurance groups, risk assessment, calculating premiums using statistical information, and applying the actuarial principles;
- Providing appropriate assessment systems for the various databases;
- Applying the general principles of the insurance operations;
- Dealing with the statutory and official authorities and conducting the necessary training for the policyholders insurance specialists and other staff;
- Collecting and assessing information about the risks involved;
- Estimating the potential risks with the help of the actuary specialist;
- Discussing and formulating contracts with clients;
- Management and insuring the preparation of clients' policies accurately and in a timely manner without delay;
- Analyzing and monitoring the performance of the insurance portfolio;
- Negotiating with the Claims Management Company to get the best conditions for the provision of medical services;
- Monitoring the Claims Management Company and making sure that the insured is provided with excellent services;
- Following-up and analyzing the medical claims coming from the contracted Claims Management Company;
- Discussing the Treaties Reinsurance with the reinsurers to get the best conditions.

Minimizing risk and reducing losses procedures are executed through the process of statistical analysis of the rates of clients' previous losses and the nature of the losses when assessing risks, which leads to improved growth of profitable insurance portfolios. Control of the filed claims is effective in controlling the loss rates of the written policies.

The Medical Insurance and Life Insurance Department fully manages the written insurance policies where all the operations are monitored on a daily basis to ensure the due diligence in policies management and commitment to the implementation of the mutually agreed upon insurance policies with customers, which leads to avoiding any untrue operations executed with the policies so as to control the loss rates.

Proposals shall be submitted to the senior management of the Company whenever is necessary for business development within the department. The Medical Insurance and Life Insurance Department, and in cooperation with the Claims Management Company, examine the claims received from the network of medical service providers in order to ensure the safety of the filed claims in terms of insurance coverage and that they are consistent with the mutually agreed upon policies with the clients. Direct compensations to customers shall only be executed through the Medical Insurance Department. A database shall be developed in order to facilitate the actuarial usage for calculation of the final loss proportion and conducting the appropriate assessment of the means of pricing.

### 5.4.3 Finance Department

The Company's Finance Department performs the duties of ensuring the safety and accuracy of the Company's financial information, as well as the preparation of annual budgets, cash flow management and coordination of the process of preparing the Company's accounts with the external auditor. It also oversees the financial management of the Company's investments by following an investment strategy that enables it to maintain a strong financial solvency margins and to protect the interests of all shareholders as stipulated in the rules of the Saudi Arabian Monetary Agency regulations.

The Finance Department's Functions can be summarized as follows:

The preparation of financial statements and providing information on compliance with accounting standards adopted by the Company and control of the level of commitment, in addition to the preparation of accounting procedures and financial investment portfolio from general accounting and technical accounting;

- Making sure of setting the general framework and systems appropriate for fiscal policy into practice so that the section could actively participate in the development of the overall strategy;
- The preparation of budget estimates and administrative reports and statistics estimated monthly/quarterly/yearly;
- Ensuring the development and the proper application of an efficient system for the distribution of costs;
- Supervising the implementation of the investment strategy prepared by the investment committee and monitoring the performance of asset managers;
- The Company's cash flow management based on weekly, monthly, quarterly and yearly;
- Necessary communications regarding tax/Zakat and investment policy development and management of foreign financial services providers; and
- Reporting to the Company's management the key financial matters.

It is worth mentioning that the Saudi Arabian Monetary Agency regulations allow the assigning of an investment manager to any third party authorized by the capital market authority for work in this area, moreover the investment guidelines set by the Saudi Arabian Monetary Agency is conservative and any derogation is deemed violation which limit the risks related to the investment portfolio and default in administration.

Supervising the Company's Investments includes the following functions:

- Setting Investment policy: by identifying investment objectives in accordance with the rules and regulations of the investment by the Saudi Arabian Monetary Agency and the analysis and evaluation of risks and expected returns;
- Securities analysis: through the revaluation of securities in the current portfolio to define the securities valued at a lower value.
- Portfolio review: by selecting any of the securities to be sold and which must be purchased in the current portfolio; and
- Portfolio's Performance evaluation: by determining the actual performance of the portfolio based on risk, returns, and comparing performance with adequate portfolio performance.



#### **5.4.4 IT Department**

This department shall supervise the maintenance and development of information technology systems. It also organizes and archives the information and data concerning the Company's business and internal regulations to control the use of computers and networks. The department also is responsible for the coordination to extract the required data for all departments and branches of the Company and control the use of the computer and its programs.

#### **5.4.5 HR and Administrative Affairs Department**

This department is assigned with the personnel affairs, distribution and coordination of works. It is also responsible for developing files to each personnel including all the data, salaries data, control the vacations and other benefits. The department is also responsible for employment, training and meeting the Company's needs through the administrative services and other works related to the governmental bodies.

#### **5.4.6 Internal Audit Department**

It determines the internal audit and restructure of the Company's reports, how to achieve effective control on the performance of the company in an orderly manner. The independent internal audit unit performs all of the functions of internal supervision and internal audit shall take all necessary action to ensure that the audit reports of the reviews have been guiding the work of the internal audit activities and high risk positions and to increase the efficiency, effectiveness and profitability of the Company's operations. It should be noted that the internal audit is to provide independent and objective services to assist the Board of Directors, the audit committee and executive management in carrying out their responsibilities by a high degree of efficiency and effectiveness and not subject to any influence by the management. It has full powers to the full and unrestricted access to any records and property as required by the function.

The responsibilities of the internal audit are summarized as follows:

- Preparation of the strategic plan for internal audit;
- The implementation of the checks in accordance with the annual plan;
- Reporting of test results;
- Determine the financial and operational risks and to cooperate with the management to provide effective regulatory tools and by affordable costs to mitigate risks and early detection;
- Coordination between the different departments in the Company and exterior regulation bodies including external audit;
- Develop policies and procedures for the implementation of the audit in line with professional practices and the use of available resources in line with the budget; and
- Certified internal audit.

#### **5.4.7 Compliance Department**

It ensures the protection of the Company by applying laws and regulations issued by legislators related to the insurance sector. It performs its work in an integrated and professional manner. It is headed by a compliance officer. Its functions can be summarized as follows:

- Effective support to the management of the company in determining the risk of compliance, reporting and relevant internal reporting;
- Assist the senior management in the daily operations for the effective and profitable business without violation of the legal regulations;
- Ensure compliance with the principles of the Company's business, its value, laws, rules and regulations in valid in the Kingdom of Saudi Arabia; and
- Spread the culture of compliance and strengthen the relations with regulatory bodies.

#### 5.4.8 Marketing and Sales Department

It is assigned with marketing and sales of the Company's products through the implementation of the strategy based on the diversification of products, accurate pricing and increased customer satisfaction to ensure maintaining them. Also, depends upon an extensive network for distribution and dividing the market into sectors with the focus on the following sectors:

- Institutions, public and semi-governmental bodies;
- Large companies;
- Small foundations;
- Personal insurance for individuals;
- Personal reinsurance operations (individuals) ; and
- Optional reinsurance operations.

The Company strives continuously to develop its products to meet the needs of its customers, taking into account the legitimate requirements and cultural background of the local community. The Company performs direct sales through branches across the Kingdom of Saudi Arabia using other distribution channels such as agents, brokers and other alternative distribution channels. The Company also establishes extensive campaigns, for advertising and public relations that would enable it to gain a leading position in the insurance market, offer quality products and competitive value.

#### 5.4.9 Risk Management Department

The Risk management Department adopts the best practices in place the field which known as the identification, measurement, control and reduce the risks faced by the company. It is also responsible for the process of measuring, assessing risk and developing strategies to manage it. These strategies include risk transfer (reinsurance) to a third party to reduce the negative effects.

#### 5.4.10 Reinsurance Department

It is as a link with reinsurers and assumes the following responsibilities and functions:

- Maintaining the relationship of the Company with the reinsurers;
- Contracting and termination of agreements with reinsurers;
- The analysis of reinsurance companies and preparing the internal classification; and
- Ensure the transfer of risks at the best rates.

### 5.5 Declarations by Board Members, Secretary of the Board and senior executives

Members, secretary of the Board and senior executives of the Company hereby declare the following:

- None of the Members, secretary of the Board or senior executives in the Company have been declared bankrupt before;
- None of the members of the board, senior management members or secretary of the board have declared insolvency of any company in which they were having an administrative or supervisory position in the last five years;
- None of the members of the board, members of the senior management, secretary of the board or any of their relatives have any direct or indirect interest in the shares of the Company in exception with what is mentioned in the table of the members of the board provided in page (v) of the Company's Manual of this Prospectus. ;
- The Company hasn't previously issued debt instruments and didn't warrant the issuance of such instruments;
- Except as stated in the Prospectus this (section "capitalization and indebtedness"), the Company shall have no potential obligations and the Company didn't provide any warranties for the benefit of any third parties;
- It was found that the Company has a working capital sufficient for the twelve months period immediately following the date of the publication of this Prospectus;
- They don't have any powers or rights to borrowing from the Company;
- They don't have the right to vote on their remunerations, any contract or offer in which they have substantial interests;
- The Board Members confirm that all the essential matters related to the Company's financial performance

has been disclosed in the Prospectus and there are no other facts that non-mentioning it in this Prospectus could mislead the shareholders;

- The Board Members declare their commitment to article no. (69) and (70) of the Company's articles of association in relation with the contracts with the relevant Parties, as follows:
  - All contracts with the relevant Parties shall be presented to the board of directors and then to be presented to the general assembly for approval along with the refrain by the relevant member of the board to vote in the board of directors and the general assembly related to it.;
  - The Board Members confirm the non- compete with the business of the Company and deal with related parties on a purely commercial basis; and

The articles of association of the Company don't grant any member of the Board or the Executive Director the right to vote on any contract or proposal in which they have an interest in it. It also doesn't give any validity to any of them to vote for a special bonus or any powers granted to Board members or senior executives of the Company.

- The Board Members also declare that there is no intention or direction of any material change in the nature the Company's work;

There are no policies followed and important information related to researches and development of new products and the adopted methods in production for the last three fiscal years directly before the issue of this Prospectus. There are currently no existing or proposed employment contracts to any of the Board Members as of the date of this Prospectus;

- The Company doesn't currently have an allocation shares program for its officers or any other arrangements incorporate its officers in the Company's capital;
- The resignation of the former Chief Executive Saleh bin Abdulaziz Al-Subil, was for personal reasons and declare that there is no other information must be reviewed by the investor related to it.

## 5.6 Company's Governance

The Company's management is committed to applying high standards and consistent with the requirements set out in the corporate governance regulations issued by the capital market authority. The board of directors recognizes that governance and active control is an important indicator for the success of the Company. The board of directors had previously adopted the rules for selecting the members of the Executive Committee, the term of the Office, the Committee's work method, its functions, conflict of interest policy, the policies and procedures for combating money-laundering and terrorism financing, investment policy and risk management policies and procedures. The company's commitment to follow the highest standards of governance through the application of a clear operational framework of transparency and disclosure in order to ensure that the board of directors work to meet the best interests of shareholders and offers a real and fair to the Company's financial condition and results of operations. The General Assembly for the Company's Shareholders convened on 31/03/2010G adopted the rules for selecting the members of the Audit Committee, the term of membership, the Committee's work method and its functions, the rules of selection of members of the nomination and remuneration Committee, the term of membership and the Committee's work method and its functions. It also adopted on 11/05/2014G the policies, procedures and requirements for appointment of leadership positions.

In accordance with the Company's articles of association, the Company doesn't follow the cumulative voting system in the selection of members of board of directors, as it is optional and applied in most of the companies. The Company will apply the cumulative voting system to select to the board of directors' members in the extraordinary general assembly- in case of obligating it. This is after taking the approval of the shareholders in the next extraordinary general assembly and amending its articles of association. The articles of association of the Company doesn't ban the legal members or non- independent from voting on selecting the Board Members.

The Company declares that it is bound by all the provisions of the corporate governance regulations with the exception of the articles listed below. It also declares that it will modify the operating rules of nomination and remuneration to comply with the regulation requirements for appointment of leadership positions issued by the Saudi Arabian Monetary Agency:

- Article (10) paragraph (d) related to the policies and procedures for the appointment of Board Members, the duties and responsibilities of the Board.
- Article (10), paragraph (c) of the rules of internal governance of the company.
- To review the regulation of the nominations committee to expand its powers according to the regulation requirements for appointment of leadership positions in the financial institutions under the supervision of the Saudi Arabian Monetary Agency which were issued by it.

Wafa announce on Tadawal website on 01/07/2013G its failure to comply with paragraph (d) of article x of the rules of corporate governance based upon the authority's circulation no. (4/6802) dated 18/02/ valid to 31/12/2012G included containing the mandatory of this paragraph (d) of article x of the regulation as of 30/06/2013G.

The Board of Directors has recommended in its meeting no. (38), dated 16/07/2014G to present those items to the Shareholders Assembly to vote at its first meeting.

The Company has a clear regulatory responsibilities between the supervisory role of the Board of Directors and the Executive management of the Company in line with the international best practices of governance which constitute more than one third of the Board Members who are independent; non-executives. The Company also has systems and effective internal controls and also has an internal audit system featuring highly professional members to perform independent reviews to all the departments and functions of the Company.

The following is a summary of the applied corporate governance framework:

#### **5.6.1 General Assembly of Shareholders:**

Shareholders are briefed on all important developments in the Company by providing reports on the financial performance of the Company, publish all news and important information about the company and its operations, the shareholders are encouraged to attend general assemblies for the Company and provide them with all their need in those assemblies.

#### **5.6.2 The Board of Directors:**

The Board shall have full responsibility to operate the Company and protect the interest of the shareholders, noting that one third of the Board Members are independent.

#### **5.6.3 Providing financial information and other information:**

The Board of Directors is responsible to provide shareholders with information on the financial performance of the company.

#### **5.6.4 The Board of Directors' Committees:**

The Board of Directors has committees to enable it to perform its functions better and more efficiently. The Board of Directors is restricted in forming such committees by the regulation of governance of the companies.

##### **5.6.4.1 The Executive Committee**

According to article 20 of the articles of association of the Company, the Board of Directors formed an Executive Committee composed of three members at minimum.

The duties and responsibilities of the Executive Committee are as follows:

The Executive Committee functions as the day-to-day management of the Company including the implementation of the decisions of the Board of Directors in coordination with the Chief Executive Officer. It also proposes and specifies the objectives and strategies of the Board of Directors, supervises the operations and business development projects. It is authorized by the Board of Directors with all powers that can be delegated to perform its duties in accordance with the articles of Association, statutes and regulations in this regard;

The Executive Committee exercises the powers delegated to it as consistent with the general policies and procedures of the Company and any decisions or specific guidelines imposed by the Board of Directors. The Executive Committee shall submit periodic reports to the Board on its functions and the exercise these delegated jurisdictions.

Members of the Committee shall receive meeting allowances 1500 riyals per each member for each meeting. In addition to, the bonus approved by the Board of Directors at the end of the year shall be upon the position of the financial performance of the Company, the recommendation of the nomination and remuneration.

The following table shows the members of the Executive Committee:

**Table 5.4: Members of the Executive Committee**

Name	Capacity	Membership in the Board of Directors
Saleh bin Abdullah Al-Hanaki	The Chairman of the Committee	Chairman of the Board of Directors-non executive
Mohammed Bin Abdulla Al-Arifi	Committee Member	Chairman of the Board of Directors-non executive
Saleh bin Abdulaziz Al-Sabil	Committee Member	Chairman of the Board of Directors-non executive

Source: Wafa Insurance

To review the profile of the members of the Executive Committee, please review section (5.2.1 profile of the Board members) in this prospectus.

#### 5.6.4.2 Audit Committee

Based on article (19) of the articles of association of the Company and article (14) of the rules of corporate governance, the Board of Directors formed Audit Committee consisting of three members and the Committee works in accordance with the provisions of the regulations and laws on the basis of the rules governing the work of the Committee approved by the General Assembly on 31/03/2010G.

The basic function of the Audit Committee is to assist the Board in carrying out its supervisory tasks efficiently, effectively and, in particular, the Committee is responsible for the integrity and completeness of the financial statements, internal audit policies, procedures and the relationship with the legal accountants.

The Audit Committee consists of the Board of three members at least one specialist who has the background and experience in accounting and financial matters. The Board of Directors studies each year the recommendations of the Audit Committee and the evaluation of its work and its validity.

Among the responsibilities of the Audit Committee:

- Supervising the management of internal audit in the Company in order to ascertain their effectiveness in the implementation of the tasks and business defined by its Board of Directors;
- Studying the system of internal audit and report written opinion and recommendations thereon; and
- Reviewing internal audit reports and ensuring implementation of corrective measures recommended therein;
- Advising the Board of Directors regarding the appointment, dismissal, and remuneration of external auditors. In this case, the independency of these external auditors shall be taken into account;
- Supervising the activities of the external auditors and approving any activities beyond the scope of the audit work initially assigned to them during the performance of their duties;
- Working with the external auditors to review and evaluate the audit plan;
- Reviewing the external auditor's comments on the financial statements and following up on all recommendations concerning the same;
- Reviewing the interim and annual financial statements prior to presentation to the Board of Directors and issuing recommendations with respect thereto; and
- Reviewing accounting policies and advising the Board of Directors on recommended updates or amendments.

The Committee members shall receive an attendance allowance of SAR 3,000 (three thousand Saudi riyals) for each member per session, as well as a reward to be approved by the Board at the end of the year based upon the Company's financial performance and the recommendation of the Nomination and Remuneration Committee.

The following Table includes the Auditing Committee Members:

**Table 5.5: Auditing Committee Members**

Name	Position	Directorship
Fuad Abdullah Al-Rashed	Chairman	Non-Executive
Abdurrahman Abdulaziz Al-Shetwi	Member	Non-Director
Hisham Ali Al-Aql	Member	Non-Director

Source: Wafa Insurance

#### 5.6.4.2.1 Brief Profiles of the members of the Auditing Committee are shown below:

Sr.	Brief Profiles of the members of the Auditing Committee	
1	Name	Fuad Abdullah Al-Rashed
	Age	Please refer to section titled "2.1.5: Brief Profiles of members of the Board of Directors"
	Nationality	
	Current Position	
	Date of Appointment	
	Education	
	Work Experience	
2	Name	Abdurrahman Abdulaziz Al-Shetwi
	Age	44
	Nationality	Saudi
	Current Position	Auditing Committee Member
	Date of Appointment	24/5/1435H
	Education	Bachelor in Computer Sciences from King Saud University, KSA, 1992. Master's degree in Computer Sciences from San Diego University, USA, 1998.
	Work Experience	From 2004G to 2008G, deputy CEO of Innovative Solutions Company, a Saudi limited liability company engaged in IT activities. Since 2009G, the CEO of Innovative Solutions Company, a Saudi limited liability company engaged in IT activities.
3	Name	Hisham Ali Al-Aql
	Age	37
	Nationality	Saudi
	Current Position	Auditing Committee Member
	Date of Appointment	24/5/1435H
	Education	Bachelor in Business Administration from King Saud University, KSA, 2004G. Master's Degree in Accounting Sciences from Lions University, USA, 2004G.
	Work Experience	From 2000G to 2006G, an insurance controller for Saudi Arabian Monetary Agency (SAMA). From 2007G to 2009G, the finance manager of Flynnass Company, a closed joint stock company engaged in air transportation. From 2009G to 2010G, the assistant finance manager at Al-Rajhi Bank, a Saudi public joint-stock company engaged in banking activities. Since 2010G, the finance manager at Al-Rajhi Bank, a Saudi public joint-stock company engaged in banking activities.

Source: Wafa Insurance

#### 5.6.4.3 Nomination and Remuneration Committee

Pursuant to Article (15) of the Corporate Governance Regulations, the Board of Directors formed the Nomination and Remuneration Committee of three members. The Nomination and Remuneration Committee functions in accordance with the provisions of laws regulations and in compliance with the rules regulating the Committee as approved by the General Assembly on 31/3/2010G. The Nomination and Remuneration Committee is established for the future of the Company. It aims to develop and retain the human resources and develop strategic plans to upgrade the Company's performance and provide it with the keys to success. It also aims at administrative development and job succession programs, as well as attracting leaders. The committee will operate in accordance with the charter approved by the Board of Directors. The chairman and the other members of the Nomination and

Remuneration Committee are appointed by the Board of Directors.

The Board of Directors will review and consider the Nomination and Remuneration Committee's recommendations and evaluate its charter annually.

The Nomination and Remuneration Committee will be responsible, among other things, for:

- Recommend to the Board of Directors, appointments to membership of the Board of Directors in accordance with the approved policies and standards, while ensuring that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership;
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board;
- Review the structure of the Board of Directors and recommend changes;
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest;
- Ensure on an annual basis, the independence of the independent members and the absence of any conflict of interest, in case a Board member also acts as a member of the Board of Directors of another company;
- Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

The Committee members receive an attendance allowance of (1,500) one thousand five hundred Saudi Riyals for each member per session, as well as a reward to be approved by the Board of Directors at the end of the year based upon the Company's financial performance position and the recommendations of Nomination and Remuneration Committee.

The following Table includes the members of the Nomination and Remuneration Committee

**Table 5.6: Member of the Nomination and Remuneration Committee**

Name	Position	Directorship
Maged Bin Abdullah Al-Hokail	Chairman	Member, Non-executive
Fuad Abdullah Al-Rashed*	Member	Member, Non-executive

Source: Wafa for Insurance

\* The Company secured approval of this appointment from the Saudi Arabian Monetary Agency on 20/12/1435H (Corresponding to 14/10/2014G).

To view the brief profiles of the members of the Nomination and Remuneration Committee, please refer to the section titled "1.2.5 Brief Profiles of the members of the Board of Directors" in this Prospectus.

#### 5.6.4.4 Investment Committee

The main responsibility of the Investment Committee is to formulate the company's investment strategy and supervise the Company's investment performance. The Board of Directors formed this Committee to enable it to perform its tasks in a better and effective way.

The Committee members receive an allowance of (1,500) one thousand five hundred Saudi Riyals for each member per session, as well as a reward to be approved by the Board at the end of the year based on the Company's financial performance position and the recommendations of Nomination and Remuneration Committee.

The following Table includes the members of the Investment Committee

**Table 5.7: Investment Committee Members**

Name	Position	Directorship
Yasser Faisal Al-Sherif	Chairman	Member, Non-executive
Abdurrahman Abdullah Al-Sahly	Member	Non-Director
Ameen Ibrahim Sabry	Member	Non-Director
Thamer Mohamed Moamer	Member	Non-Director

Source: Wafa for Insurance



#### 5.6.4.4.1 Brief Profiles of the members of Investment Committee

Sr.	Brief Profiles of Investment Committee Members	
1	Name	Yasser Faisal Al-Sherif
	Age	Please refer to section titled "1.2.5: Brief Profiles of Members of the Board of Directors"
	Nationality	
	Current Position	
	Date of Appointment	
	Education	
	Work Experience	
2	Name	Amin Sabry
	Age	Please refer to section (1.3.5 A Brief Summary On Top Executive Management)
	Nationality	
	Current Position	
	Date of Appointment	
	Education	
	Work Experience	
3	Name	Thamer Mohamed Moamer
	Age	39
	Nationality	Saudi
	Current Position	Investment Committee Member
	Date of Appointment	17/11/2013G
	Education	Bachelor in Business Administration from King Saud University, KSA, 1998.
	Work Experience	<ul style="list-style-type: none"> <li>• From 2008G to 2010G, Treasury Assistant General Manager at Falcom Financial Services Company, a closed Saudi joint stock company engaging in all securities work.</li> <li>• From 2010G to 2013G, a Fund Manager, Assets Fund Department, Falcom Financial Services Company, a Saudi closed joint stock company engaged in all activities related to securities</li> <li>• From 2013G to June 2014G, Senior Fund Manager, Assets Department, Falcom Financial Services Company, a Saudi closed joint stock company engaged in all activities related to securities</li> <li>• Since 2014G, the Designate Asset Department Manager, Falcom Financial Services Company, a Saudi closed joint stock company engaged in all activities related to securities</li> </ul>

#### 5.6.4.5 Committee Meetings

Paragraph (3) of Article (20) of the Company's By-Laws stipulates that the Executive Committee shall hold at least (6) meetings annually. Based on the Auditing Committee Regulations and the Draft Governance Regulations to be approved shortly by the Saudi Arabian Monetary Agency, the Agency will impose a minimum limit of six meetings every year for the auditing committees of the Board of Directors.

The following table pertaining to the number of meetings of the Committees during 2011G, 2012G, 2013G, and 2014G shows to what extent Wafa Company's Board of Directors Committees complied with the number of meetings on a periodic basis throughout any of the previous fiscal years.

**Table 5.8: Number of Meetings held by Board of Directors' Committees during 2011G, 2012G, 2013G, and 2014G**

Committee	Number of Meetings			
	2011G	2012G	2013G	2014G
Executive Committee	3	3	3	7
Auditing Committee	6	7	7	8
Nomination and Remuneration Committee	-	-	1	3
Investment Committee	-	-	2	3

Source: Wafa Insurance

The Committees of the Company's Board of Directors shall continue to carry out their meetings periodically throughout the fiscal year. SAMA gave remarks on the fact that the Nomination and Remuneration Committee did not hold meetings. As regards the Executive Committee meetings, SAMA noticed that the Executive Committee held (3) meetings only; the Committee shall then increase the number of meetings during the next years up to no less than (6) throughout one fiscal year, pursuant to the provisions of Article (20) of the Company's By-Laws. The Company avoided such remarks in 2014G as clarified in the above-mentioned table.

### 5.6.5 Conflict of Interests

In accordance with Article (69) of the Company's By-Laws and Article (18) of the Corporate Governance Regulations, a Board Member may only, by the General Assembly's approval, renew annually any direct or indirect interest in work and contracts, carried out for the interest of the Company.

The business carried out by public competition shall be excluded, where the Board Member has bid the best offer. The Board Member must inform the Board of any personal interest he has in business and contracts undertaken for the account of the Company, and such a statement must be officially recorded in the Board of Directors' Minutes of Meeting, and the Board Member with such an interest cannot vote on the decision taken thereon.

The Chairman of the Board of Directors will inform the General Assembly on business and contracts on which a Board Member has a personal interest therein, and the Chairman of the Board of Directors shall attach the External Auditor's special report thereon.

In accordance with Article 70 of Companies Law and Article 18 (B) of Corporate Governance Regulations, a Board Member has no right, unless by the General Assembly's yearly mandate, to participate in any act that may compete with the Company, or deal in any activity undertaken by the Company, otherwise the Company can demand compensation, by considering the Board Member's acts made for his account, as acts having been made for the Company's account. In accordance with Article 71 of Companies Law and Article 18 (C) of Corporate Governance Regulations, the Company cannot make a cash offer of any sort to its Board Members, or guarantee any loans taken up by any of them.

Moreover, the Chairman and Members of the Board of Directors cannot vote on any decisions pertaining to their compensations and allowances in accordance with the Provisions of Articles 69, 70 and 71 of the Companies Law and Article 18 of Corporate Governance Regulations.

The Company, its Board of Directors and its senior executives, hereby confirm their full compliance with the Provisions of Articles 69, 70 and 71 of the Companies Law and Article 18 of Corporate Governance Regulations. The Company has an agreement with a related party which will be presented annually to the General Assembly for approval (For further details please refer to section titled "Related Parties Transactions" in Legal Information Section of the present Prospectus).

## 5.7 Employee Stock Option

Currently, the Company does not have any employee stock option or any other arrangements to make employees partners in the Company's capital.

## 5.8 Employees and Saudization

As of 7/11/1435H (2/9/2014G), the Company's manpower reached 108 employees comprising of 44 Saudis and 64 non-Saudis with Saudization percentage of 41%. The Company works continuously to increase its Saudi employees based on a proper recruiting, training and development and other procedures set to satisfactorily meet the Saudization requirements. The Company falls under the high green category of Nitaqat Saudization program.

The Company is committed to applying laws and instructions on hiring non-Saudi employees, and ensuring that all of them work on a full-time basis and under the Company's sponsorship. The corrective grace period granted by the Ministry of Labor did not affect the Company negatively, excluding eight foreign employees who are not subject to Company's sponsorship; and the Company is currently seeking to transfer their sponsorship and regularize their position. On the other hand, the job title in the residence permits of some employees is different from the one stated in their employment contract. To avoid any liability imposed by the Ministry of Labor, the Company will work to change the residence permit.

The Company is committed to applying laws and instructions on hiring non-Saudi employees, and ensuring that their hiring is legal in accordance with the requirements of the competent authorities.

The Company falls under the high green category of Nitaqat program because of the current percentage of Saudi employees of 41% as of 7/11/1435H (2/9/2014G).

**Table 5.9: Number of employees and Saudization percentage**

	2011G		2012G		2013G		First half of 2014G	
	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number
Saudis	47%	35	48%	45	53%	53	53%	57
Non-Saudis	53%	40	52%	48	47%	47	47%	50
<b>Total</b>	<b>100%</b>	<b>75</b>	<b>100%</b>	<b>93</b>	<b>100%</b>	<b>100</b>	<b>100%</b>	<b>107</b>

Source: Wafa Insurance

**Table 5.10: List of Company's Staff by Department**

Department	2011G		2012G		2013G		First half of 2014G	
	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis
Human Resources and Administrative Affairs	3	7	3	7	3	8	3	8
Finance	5	3	5	3	7	3	7	4
Riyadh Branch	5	3	7	4	6	4	6	5
Jeddah Branch	6	3	8	4	9	4	9	5
Al Khobar Branch	5	3	7	6	5	10	6	12
Medical Insurance	8	2	9	3	9	3	8	3
Legal and Compliance	0	0	0	1	0	1	0	2
Information Technology	1	1	1	1	1	2	3	0
Claims	1	7	2	8	2	8	3	9
Executive Management	5	3	5	3	4	5	4	5
<b>Total</b>	<b>40</b>	<b>35</b>	<b>48</b>	<b>45</b>	<b>47</b>	<b>53</b>	<b>50</b>	<b>57</b>

Source: Wafa Insurance

The increase in the number of employees is attributable annually to the increase in the volume of the insurance portfolio and subscribed premiums, and consequently the Company's need for a human personnel commensurate with such increase.

With reference to SAMA's Circular No. 38639/ M.T/1051 dated 3/8/1430H (25/7/2009G) on the necessity to obtain IFCE for some insurance companies' employees, in 2014G twenty (20) employees were enrolled to obtain such certificate, of whom six obtained same and rest of the employees, required to obtain such certificate, shall be reexamined. In case they did not obtain such certificate, they will be prevented from working at the Company.

Additionally, pursuant to the Labor Law, any company having ten (10) employees or more shall prepare by-laws including the internal provisions of work in the company and rules regulating the work. The Ministry of Labor's approval shall be obtained before applying the by-laws. Whereas the Company has more than ten (10) employees, the by-laws regulating work were prepared and submitted to the Ministry of Labor for authorization and approval; such by-laws are still under study.

## 6. Management Discussion and Analysis on the Company's Financial Position and Operations Results

### 6.1 Introduction

The section titled "Financial Position and Transactions Results Discussion and Analysis" section was prepared according to, and shall be read in conjunction with, the audited financial statements for the fiscal years ending on December 2011G, 2012G, and 2013G in addition to the non-audited financial statements for the period ending on 30th June 2014G. The financial numbers, stated in the present section, were extracted from such financial statements, audited by KPMG Al Fozan & Al Sadhan firm, Al Sabti & Bannaga CPAs firm, Saad Saleh Al-Sabty firm; consequently, the present section may not be read apart from that section.

The auditors, KPMG Al Fozan & Al Sadhan firm, Al Sabti & Bannaga CPAs firm, Saad Saleh Al-Sabty firm, or the partners, employees, or their relatives do not own any shares or interest of any type in the Company. The aforementioned auditors gave their written approval on mentioning their role and statements in the capacity of the auditors of the Company's accounts for the fiscal years 2011G, 2012G, and 2013G and for the period ending on 30th June 2014G, and such approval was not withdrawn till the date of the present Prospectus.

The present section includes statements of a future nature involving some risks and unconfirmed expectations. The Company's actual results may differ substantially due to a variety of factors, including the factors discussed in the present section and in other sections, particularly the factors stated in Section 2 titled "Risk Factors" of the present Prospectus.

All the sums stated in the present Prospectus are in Saudi Riyals, unless otherwise stated. The numbers were rounded to the nearest thousand; while ratios appear in a decimal way.

### 6.2 Warrants and Representations of Board Members on Financial Information

Board Members warrant and represent, jointly and severally, that:

- The Company has a working capital sufficient for the twelve months following the date of publishing the present Issuance Prospectus;
- No substantial negative change affected the Company's financial position or its expectations as of the date of the present Prospectus;

The financial information stated in the present Section were extracted without any substantial changes from the audited financial statements as of 31st December 2011G, 2012G, and 2013G and the non-audited financial statements for the period ending on 30th June for 2013G and 2014G;

- The audited financial statements were prepared in accordance with International Accounting Standards issued by SOCPA;
- No information or other documents, whose omission may make the financial statements and the information stated in this Prospectus misleading in any way, were omitted;

This Prospectus includes financial information presented in a manner consistent with what is applicable to the Company's annual financial statements;

- The Company's business was not suspended in a way that may affect substantially such business;
- No substantial negative change took place in the Company's financial and commercial position during the fiscal years ending on 31st December 2011G, 2012G, and 2013G as well as during the fiscal period ending on 30th June 2014G and till the date of the present Prospectus;

No substantial negative change affected the Company's activity since the period ending on 30th June 2014G till the date of the present Prospectus, all substantial matters pertaining to the Company and its financial performance were recognized in the present issuance Prospectus, and that there are no other events that, if not included herein, may make any statement mentioned in this Prospectus to be misleading.

- The Company has no debt instruments.

## 6.3 Statement on Company's Legal Structure and an Overview on its Activities and Transactions

Saudi Indian Company for Cooperative Insurance is a Saudi joint-stock company established by the Royal Decree No. M/60, dated 18/9/1427H, and the Council of Ministers' Resolution No. 233 dated 16/9/1427H.

The Company's paid capital is 100 million Saudi Riyals, divided into 10 million (10,000,000) common shares at a nominal value of ten (10) riyals per share.

Board Members declare that there is no capital covered by the option right. Additionally, no specific commissions, liabilities, or other non-cash compensations were given (within the three years that were directly before application for registration and approval of listing) as regards placing or submitting a security by the Company to any of the Board Members, proposed Board Members, Chief Executives, persons giving advice on placing securities, or any other experts.

**Table 6.1: Legal Structure as of 31 December 2013G**

Sr.	Shareholder	Number of Shares	Share Price	Paid-up Capital	Share Percentage
1	Life Insurance Corporation of India	1,020,000	10	10,200,000	10.2%
2	International Life Insurance Company	1,020,000	10	10,200,000	10.2%
3	New India Assurance	1,060,000	10	10,600,000	10.6%

Source: Wafa Insurance

The Company aims at practicing the activities of cooperative insurance and other relevant activities in the Kingdom of Saudi Arabia. The Company's shares were listed on the Saudi stock market on 25/8/2007G.

The main activity of the Company is offering cooperative insurance products. The Company engages in its activities in accordance with the applicable cooperative insurance regulations in the Kingdom of Saudi Arabia and pursuant to the Islamic Sharia precepts.

Wafa Insurance offers an integrated insurance product portfolio in various types of cooperative and Takaful insurance, including groups' and individuals' medical insurance, auto insurance, marine insurance, protection against fire and property insurance.

The Company assures that its business and financial position are not affected by any seasonal factors or economic cycles. Additionally, with the exception of what is mentioned in "Risk Factors" Section, the Company's transactions were not influenced, directly or indirectly, by any governmental, economic, financial, monetary or political policies or any other factors till the date of this Prospectus.

## 6.4 Summary of Important Accounting Policies

The attached financial statements were prepared in accordance with the International Financial Reporting Standards, and were audited in accordance with SOCPA accounting standards. Financial statements shall be prepared on the basis of historical cost convention. Below are the most important accounting policies followed by the Company.

### 6.4.1 Presentation and Activity Currency

The financial statements are shown in Saudi Riyal. All company's transactions are carried out in Saudi Riyal. All Company's information as well as financial data were rounded to the nearest Saudi Riyal.

### 6.4.2 Using Estimations in Preparing Financial Statements

Preparing financial statements require using estimations and assumptions that may affect the registered sums for assets and liabilities, disclosing potential assets and liabilities as of the date of the financial statements, the sums of revenues and expenses recognized during the reporting period. Although these estimations are based on the best information and current events at disposal of the management, the final actual results may differ from such estimations.

Estimations and assumptions related thereto are audited continuously. The impact of such changes in the accounting estimations is recognized for the period under auditing and the future periods affected thereby.

### **6.4.3 Absolute Liability Arising from Claims Resulting from Insurance Contracts**

The estimation of absolute liability arising from the claims submitted within the framework of insurance contracts is the most important estimation. There are numerous sources of uncertainty that shall be taken into account when the value of liabilities to be paid eventually by the Company against such claims is being computed. The provision of incurred non-reported claims shall be deemed an estimation for the claims expected to be reported after the date of the balance sheet on the insured incident that took place prior to the date of the balance sheet. The technical methods applied by the management in estimating the cost of the reported claims as well as the non-reported incurred claims are based on the same methods of previous claims payment when forecasting the future claims payment methods.

Estimating claims requires a court decision or an arbitration award on a case-by-case basis. Independent risk adjustment companies shall estimate property claims. The management shall audit the provisions pertaining to the incurred claims, and the non-incurred and non-reported claims on a quarterly basis.

### **6.4.4 Decrease in Investments Available for Sale**

The Company shall decide whether there is a non-temporary decrease in the financial assets as investments available for sale when there is a substantial or permanent/ continuous decrease in the fair value less than/ in comparison with the cost. This requires identifying the nature of substantial or continuous decrease to estimations. Upon conducting estimations, the Company shall estimate a number of factors, including normal change in share prices, financial solvency of the invested company, the sector performance, technical changes, as well as cash flows from operational and financing activities. The value decrease is deemed suitable whenever there is an evidence of degradation in the invested company solvency, the sector performance, technical changes, and cash flows from operational and financing activities.

### **6.4.5 Decrease in Accounts Receivable**

The Company shall audit the accounts receivable which are deemed important alone, as well as the accounts receivable listed within a group of financial assets having similar credit features. This action shall be carried out in order to ensure that there is a temporary decrease in the value thereof. Accounts receivable that are audited individually to ensure a non-temporary decrease in the value thereof and where the decrease loss is proven or continues to be proven shall be excluded in the accounts receivable when audited collectively to ensure that there is a non-temporary decrease in the value thereof. Auditing the non-temporary decrease in value requires carrying out our estimates and decisions. To carry out such action the Company shall evaluate credit features that take into account previous defaulting cases which are indicative of the solvency to pay all due sums in accordance with the contractual conditions.

### **6.4.6 Cash and Cash Equivalents**

For the purpose of preparing cash flows statement, cash and cash equivalents are composed of bank balances and cash in hand, including demand and term deposits whose vesting period is less than three months as of the date of acquiring same.

### **6.4.7 Net Accounts Receivable from Policyholders**

Accounts receivable are non-derivative financial assets related to fixed or determinable maturity payments. They are recognized primarily in the fair value of received or recoverable accounts. Subsequent to the initial recognition, the accounts receivable are measured by amortized cost utilizing average actual revenue after deducting the provision of the decrease in value. The assets' book value is lowered using a provision account. The loss sum shall be recognized in the insurance operations statement. A decrease in value provision shall be created whenever there is objective evidence that the book value is not recoverable.

### **6.4.8 Deferred Subscription Costs**

Mediation commissions and other costs pertaining to obtaining insurance, particularly relevant to new products as well as renewing business, are deferred and amortized on a fixed basis in accordance with the coverage conditions in the relevant policy, except the costs pertaining to marine shipment insurance which are deferred entirely as regards the policies issued within the last three months of the year.

### 6.4.9 Property and Equipment

Property and equipment are recognized in cost, after deducting accumulated amortization. Amortization is calculated utilizing the straight line method based upon the estimated useful life, and are summed up in the following:

Years

Furniture and fittings	10
Office equipment and other assets	4
Computer hardware and software	4
Cars	4

Maintenance and repair expenses are recognized as expenses; while renewal expenses are capitalized. The assets of SAR 3,000 in cost are depreciated by 100% in the acquisition year. The book value of the property, equipment and non-current assets are audited to ensure that there is no evidence of a loss as a result of the decrease in the values thereof when events or changes in circumstances indicate that book values are unrecoverable. The loss resulting from the decrease in value, if any, is recorded. Such value represents an increase in the book value to be higher than the recoverable value. The recoverable value is the fair value after deducting the sales expenses or the asset value upon usage, whichever is higher. For the purpose of evaluating the decrease in the value of assets, assets shall be aggregated to the lowest level thereof so that the cash flows can be identified for each unit separately (cash generating units).

Profits and losses are identified from exclusions by comparing revenues to book value, and shall be included in the insurance operations statement under the item "General and Administrative Expenses".

Acquired computer software are capitalized by the incurred cost against purchase and other incurred costs. Till the software becomes ready for usage, the cost shall be amortized throughout the expected useful life thereof.

The Company has no plan to amend such policy currently. Due to the nature of the Company's activity (insurance activity), it does not depend on fixed assets of substantial value. Additionally, the Company has no plan to purchase or rent fixed assets of substantial value.

### 6.4.10 Investments

Initially, all investments are recognized by cost which represents the fair value for the paid sums, with the exception of investments at the fair value through income statement, if any, including purchase costs related to investment.

Investments available for sale are evaluated later on by the fair value. The unrealized losses or profits appear as a separate item within the shareholders' equity and as a comprehensive income in the comprehensive income statement for the shareholders' transactions. The realized profits or losses resulting from selling such investments are shown in the shareholders' transactions statements or insurance operations statement.

### 6.4.11 Temporary Impairment in Reinsurance Assets and other Financial Assets

On the date of each balance sheet, an evaluation is carried out to ensure that there is no objective evidence on the impairment of one or more financial assets (including insurance's accounts receivable). If there is objective evidence on incurring losses due to the decrease in the value of any financial asset, the estimated recoverable value for such asset is recognized, and any losses resulting from the temporary decrease in the value which shall be calculated to show changes in the book value, will be recognized.

### 6.4.12 Impairment of other Financial Assets

Assets that have no specified useful age, e.g. lands, may not be depreciated; yet, the non-temporary decrease in the value thereof is audited annually. The non-temporary impairment of assets, subject to depreciation, is audited when events or change in circumstances indicate that the book value may be unrecoverable.

The loss resulting from impairment and representing an increase in the asset book value to be higher than the recoverable value is recognized. The recoverable value is the asset fair value minus sales costs and usage value, whichever is higher. For the purpose of evaluating the impairment in assets value, assets are aggregated to the least level so that the cash flows can be identified separately (cash generating units).



#### **6.4.13 Zakat and Income Tax**

The Saudi shareholders in the Company are subject to Zakat pursuant to the regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. The resulting estimated Zakat is payable and charged on the shareholders' operations statement.

Non-Saudi shareholders are subject to income tax pursuant to the regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. The resulting estimated Zakat is payable and charged on the shareholders' operations statement.

Deferred income tax resulting from substantial temporary difference between the accounting profit and taxable income, for the period in which such differences arise, are recognized and then amended when the temporary differences related thereto are reversed. The deferred income tax assets pertaining to the losses postponed to the limit where a taxable future profit may be available, are recognized against such deferred income losses. Deferred income tax is determined by using the assessment role lists applicable on the date of the balance sheet and it is expected to be applicable upon realizing the deferred income tax assets or settling the deferred income tax liabilities.

The Company deducts the tax levied on specific operations with parties residing in the Kingdom of Saudi Arabia pursuant to Saudi Income Tax Law.

#### **6.4.14 Provisions and Other Reserves**

Provisions of liabilities of uncertain value or period are recognized when the Company has legal obligations arising from events that took place in previous periods that require flows for economic benefits to settle such obligations. Such expenses may be estimated by a reliable method. Future operational losses provisions are not recognized.

#### **6.4.15 Statutory Reserve**

In accordance with the Company's By-Laws and pursuant to Article 7 (2-C) of the Cooperative Insurance Law issued by SAMA, the Company sets aside 20% of the annual net profit as a statutory reserve to the extent that such reserve is equal to the capital. The statutory reserve provision was not created this year because the Company incurred losses.

#### **6.4.16 Recognition of Premiums' Revenues & Commissions**

Upon the beginning of insurance against risks, the total premiums and commissions are recognized in a manner commensurate with the coverage period. Insurance premiums are stated prior to deducting commissions. The premiums or commissions to be realized in the future are recognized as unearned premiums and commissions, and are consequently deferred in accordance with the coverage item in the relevant policy, except for the revenues pertaining to marine insurance which are deferred entirely for the policies issued within the last three months of the accounting year.

#### **6.4.17 Investment Income**

The investment income is recognized on the basis of actual revenue, taking into account the existent original value and applicable commission price. Investment income is the revenues of funds compatible with Islamic Sharia precepts.

The commission income from short-term deposits is recognized on a time basis utilizing the effective rate of return.

#### **6.4.18 Dividends Income**

The dividends income is recognized when the right to receive dividends arises.

#### **6.4.19 Reinsurance**

In the course of its ordinary business, the Company assign insurance premiums and resulting risks. These arrangements secure a wide variety of business and allow the management to control potential losses resulting from major risks and bring about the opportunity of additional growth. A great deal of reinsurance transactions subject to agreements, optional insurance contracts, excess-of-loss reinsurance, assets and liabilities are recognized in the statement of insurance operations, which represents premiums due from reinsurers or payments due to them, and the Company's share in losses recoverable from reinsurers. The sums payable from reinsurers are estimated by the same method used in estimation of the obligations of claims pertaining to other insured parties' claims.

#### **6.4.20 Outstanding Claims**

Outstanding claims include the estimated cost of unpaid incurred claims as of the balance sheet, claims settlement costs, decrease in the expected value of the scrap and other receipts, whether reported by insurers or not. Provisions are set aside against reported unpaid claims on the date of the balance sheet on the basis of estimating each condition separately. Additionally, a provision is set aside subject to the management's estimations and Company's expertise for the cost of payment of the unreported incurred claims as of the balance sheet date, including claims settlement costs as well as the expected value of scrap and other receipts as of the date of the balance sheet. The unreported incurred claims were calculated according to the actuary's recommendation.

The difference between provisions on the date of the balance sheet, payment and provisions created in the subsequent year are included in the insurance operations statement for such year. The outstanding claims are shown in aggregate and the relevant reinsurance share is shown separately.

#### **6.4.21 Test of Liabilities Sufficiency**

On the date of each balance sheet, tests are carried out to ensure the sufficiency of insurance contracts liabilities, after deducting the relevant deferred subscription costs. To carry out such tests, the management uses the best current estimations for future contracted cash flows, claims settlement expenses, and administrative fees. Any deficit in the direct book value is charged on the insurance operations statement by directly writing off the relevant deferred subscription costs. After that, a provision for losses resulting from the test of liabilities sufficiency (non-finalized risk losses provision) is created. If the test of liabilities sufficiency requires using the best new assumptions, such assumptions are used (without any margin against any reverse change) to measure such liabilities later on.

#### **6.4.22 End of Service Gratuity**

The end of service gratuities are recognized and paid to employees in accordance with the conditions of the labor legislation in the Kingdom of Saudi Arabia upon terminating their employment contracts. The liability amount is calculated on the basis of the current value of the earned gratuity to which the employee is entitled if they leave service as of the date of the balance sheet. The paid sums are calculated at the end of service on the basis of the employees' last salaries and allowances, and the number of accumulated years of service, as set forth in the Kingdom of Saudi Arabia's Laws.

#### **6.4.23 Ceasing to Recognize Financial Instruments**

The recognition of any financial instrument ceases upon ceasing to control contractual obligations forming the financial instrument. This normally occurs when such instruments are sold or their flows are transferred to any independent entity.

#### **6.4.24 Set-off**

The financial assets and liabilities are set off and recognized in net amounts in the balance sheet as an obligatory statutory right, when the Company intends to settle same on the basis of the net or by simultaneously selling assets and paying liabilities. The revenues and expenses in insurance operations statement and shareholders' operations statement shall only be set off if same is required or allowed by accounting standards or the interpretation thereof.

#### **6.4.25 Operating Leases**

The expenses of the rent paid under the operating leases, which were not substantial for the years ending on 31st December 2013G and 2012G, are charged on the operations statements on the basis of the straight line method, subject to the leases. There were no substantial obligations under operating leases as of 31st December 2013G.

#### **6.4.26 Currency Translation**

The Company keeps its books in Saudi Riyal, as the functional currency. Foreign currencies are translated into Saudi Riyal at the prevailing exchange rates on the day of translation. As of the date of the balance sheet, the financial assets and liabilities in foreign currencies are translated into Saudi Riyals at the prevailing exchange rate on such a date. All financing differences are recognized in the insurance operations statement. The differences resulting from foreign currency translations are not substantial and consequently they were not disclosed separately.

## 6.4.27 Insurance Operations Surplus

Subject to the requirements pertaining to applying the regulatory rules issued by SAMA, 90% of the net surplus from insurance operations are transferred to shareholders' operations statement. The remaining 10% are distributed to policyholders. In case of loss, SAMA instructed the Company to transfer the entire amount to shareholders' operations statement.

## 6.4.28 Information by Lines of Business

A line of business is a fundamental part of the Company that provides services or products (line of business). It is exposed to risks and revenues different from the risks and revenues of the other lines of business. For administrative purposes, the Company is composed of business units based on its products and services. The operational lines of business are shown pursuant to the internal reports submitted to the chief operating officer who holds the decision-making authority. He is responsible for allocating resources and evaluating the performance of the operational lines of business. He is defined as the administrative manager authorized to make strategic decisions. No transactions between the lines of business took place during the year. If any transaction takes place, the prices to be applied between the lines of business are set on the basis of the prices by which such transactions are carried out with third parties. The line of business income, expenses, and results include the transfers between lines of business, which are excluded on the level of financial statements.

## 6.4.29 Statutory Deposits

In accordance with Article 85 of the Implementing Regulations to the Cooperative Insurance Law, the Company deposited the sum of SAR 10,100,000, which became SAR 10,800,035 including profits, with Riyadh Bank, and was invested in debentures. The original date of maturity of such deposit is 15th July 2027G, with an option of early maturity on 15th July 2012G. This option was not applied by the Company. However, the Company is not allowed to withdraw part of the deposit or the profits without approval of SAMA. The due profits, amounting to SAR 700,035 - (December 2012G: SAR 700,035) - were added to the statutory deposit. A similar amount appears as liabilities within other liabilities.

# 6.5 Operations Results

## 6.5.1 Income Statement

### Insurance Operations Income Statement

**Table 6.2: Insurance Operations Income Statement**

SAR Thousand	2011G	2012G	2013G	30 June 2013G	30 June 2014G
Revenues					
Total underwritten insurance premiums	93,896	162,460	196,869	98,767	120,780
Less: issued reinsurance premiums	27,531	57,593	71,751	34,898	40,299
Net written insurance premiums	66,365	104,867	125,118	36,869	80,481
Change in non-earned insurance premiums	10,248	23,246	7,907	7,511	9,354
Net earned insurance premiums	56,117	81,621	117,210	56,358	71,127
Reinsurance commission	9,844	7,506	6,790	2,191	2,463
Other investments revenues	13	14	175	-	56
Total revenues	65,974	89,141	124,175	85,549	73,646
Expenses					
Total paid claims	62,852	79,389	126,080	60,551	58,439
Less: reinsurers share	31,814	25,998	50,125	26,913	19,013

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Net paid claims	31,038	53,391	75,955	33,637	39,426
Change in outstanding claims	3,288	3,045	8,752	1,387	4,517
Net incurred claims	34,326	56,436	84,707	35,024	43,943
Insurance policy acquisition costs	10,994	15,070	18,387	8,718	10,200
Excess of loss insurance premiums	1,562	2,841	3,195	-1,598	1,567
Other subscription expenses	3,133	5,241	7,657	3,332	4,760
Administration and operation salaries	12,302	17,474	18,344	7,979	9,278
Other general and administrative expenses	6,795	4,660	3,300	3,755	7,673
Total costs and expenses	69,112	101,722	135,591	60,406	77,421
Net deficit in insurance operations results	3,139	12,581	11,416	-1,857	-3,775
Net deficit transferred to shareholders' operations statement	3,139	12,581	11,416	1,857	3,775

Source: Wafa Insurance

**Table 6.3: Key Performance Indicators and Percentages**

KPI and Ratios	2011 Audited	2012 Audited	2013 Audited	30 June 2013 (Not Audited)	30 June 2014 (Not Audited)
Retention ratio	70.6%	64.5%	63.5%	64.6%	66.6%
Net loss ratio	60.1%	69.1%	72.3%	62.2%	61.2%
Expenses ratio	28%	28.3%	25%	24.2%	23.2%
Composite ratio	88.1%	97.4%	97.3%	86.4%	84.4%
Incurred commission expenses as a percentage of gross written premiums	8.5%	9.3%	10.7%	8.8%	8.5%
Reinsurance earned commission as a percentage of total ceded premiums	5.7%	9.2%	5.8%	3.9%	3.5%
Surplus / deficit of insurance operations as a percentage of net earned insurance premiums	5.6%	15.4%	9.7%-	3.3%	5.3%-

Source: Wafa Insurance

The Company achieved an increase in the gross written premiums during the previous three years where the written premiums increased in 2011 from 93 million Saudi Riyals to approximately 197 million Saudi Riyals, concurrently with the increase in the written premiums of medical insurance (more than 98.5 million Riyals) and auto insurance (more than 10.6 million Riyals); while the written premiums in other insurance activities decreased during the same period. The increase in the medical insurance and auto insurance is attributable to the fact that the Company signed an agreement with Wattad National Insurance Agency Ltd. (Wattad) (Please review Legal Information Section - "Brief of Substantial Contracts" in the present Prospectus) which formed approximately 42.6% of the increase in the written premiums for the period from 2011 to 2013. Wattad Company sales constituted approximately 44 million Riyals of the gross written premiums in 2013 (i.e. 22.3% of the gross written premiums in that year). Additionally, the Company's inclination towards individuals' medical insurance contributed to such increase.

Insurance operations deficit increased dramatically from 3.1 million Riyals in 2011 to 11.4 in 2013. This is due to many factors as follows: increase in the net incurred claims from 34 million Riyals during 2011 to 56 million Riyals in 2012 because the company provided insurance for taxi cars and rental cars, which resulted in such increase in claims (as taxi cars and rental cars are of high risks and the Company offered insurance on such type of cars in low prices in a manner that does not cope with the risks, resulting in the dramatic increase in claims); the increase

in the costs of insurance policies acquisition by 7.4 million Riyal; the increase in other subscription expenses by 4.5 million Riyals; and the increase in general and administrative expenses by 2.5 million Riyals. This deficit was partially compensated by the positive increase in the net earned insurance premiums by approximately 59.5 million Riyals in the period from 2011 to 2013.

In 2013, the results improved to some extent in comparison with 2012, while the deficit persisted. The losses in 2012 were approximately SAR 12.5 million in comparison with approximately SAR 11.4 million in 2013. The main reason of loss in 2013 was allocating the sum of SAR 12.8 million as a technical provision in accordance with the study of the actuary.

In 2013, the Company improved the subscription type by totally ceasing insurance over taxi cars and rental cars, and over high-risk warehouses, while concentrating individual medical insurance, the matter which had a positive impact on mitigating deficit.

The issued reinsurance premiums increased from SAR 27 million in 2011 to SAR 57.5 million in 2012 and SAR 71.7 million in 2013. This is mainly due to the increase in the medical insurance, followed by the increase in auto insurance activity. The medical insurance formed about 45.5% of issued reinsurance premiums in 2013. Additionally, the change in cession of all insurance contributed to such increase.

Reinsurance commissions decreased from SAR 9.8 million to SAR 6.8 million in 2013 due to the decrease in the reinsurance commission for property and engineering insurance, concurrently with the decrease in the reinsurance premium for such two activities, with the increase in the reinsurance premiums for the medical insurance branch which has no reinsurance commissions. The medical insurance is based on the principle of profit sharing with the reinsurance company.

It is also noticed that there is an increase in insurance policies subscription from SAR 10.9 million in 2011 to SAR 15 million in 2012, and to SAR 18.3 million in 2013. This is primarily due to the increase of costs of the medical insurance policies subscription that increased by SAR 8.4 million for the period from 2011 to 2013.

Additionally, it is noticed that there is a dramatic increase in paid claims from SAR 62.8 million in 2011 to SAR 79 million in 2012; This is due to the dramatic increase in paid claims for auto insurance activity (SAR 18.6 million) and medical insurance activity (SAR 17.1 million). Paid claim increased to be SAR 126 million in 2013 due to the paid claims in medical and auto insurance as the incurred claims amounted to approximately SAR 25.8 million and SAR 10.6 million respectively. This is in conjunction with the general increase in the size of the insurance portfolios in addition to the effect of the claim paid to Mohamed Mohammed Sadiq Abu Arab Establishment, amounting to SAR 7.2 million, which was the result of a claim for a fire in cooling warehouses belonging to the corporation in Jeddah

As regards the period ending in 30th June 2014, such period witnessed an increase in written premiums in comparison with the similar period in the previous years due to the Company's concentration on underwriting the medical insurance.

During such period, the deficit increased in comparison with the same period of the previous year from SAR 1.8 million to SAR 3.7 million due to the dramatic increase in expenses during the first half of 2014, because the Company set aside an additional sum for the for bad debts provisions.

## Shareholders' Operations Statement

**Table 6.4: Shareholders' Income Statement**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Profits from investments available for sale	276	51	5,244	4,435	2,214
Income from Commissions	209	-	1,219	463	795
Refunding Board Members reward	2,110	-	-	-	-
General and administrative expenses	-565	-1,470	-1,600	-966	-894
Net deficit transferred from insurance operations	3,138	-12,581	-11,416	-1,857	-3,775
Net loss for the period before Zakat and tax	1,107-	-14,000	-6,553	2,075	1,660
Zakat provision	1,267	1,965	-	750	-
Net loss after Zakat and tax	-2,375	-15,965	-6,553	1,325	-1,660
Share profit/loss	-0.24	-1.60	-0.66	0.13	-0.17

Source: Wafa Insurance

Subject to the Cooperative Insurance Law and its Implementing Regulations, insurance operations income statement shall bear the entire incurred deficit from the insurance operations and 90% of the realized surplus in insurance operations. In the light of that, shareholders' income statement bore policyholders' losses (insurance operations)

which increased from SAR 3.1 million in 2011 to SAR 12.5 million in 2012, and they decreased slightly in 2013 down to SAR 11.4 million. A big improvement on the net losses took place as they decreased to SAR 6.5 million in comparison with SAR 15.9 million during 2012. This is due to the dramatic increase in investment revenues during 2013.

The share (profit/ loss) during 2011, 2012, and 2013 was SAR 0.24-, SAR 1.60-, and SAR 0.66- respectively, which is majorly due to the increase in insurance operations in such period.

The increase in investment revenues during 2013 to SAR 5.24 million in comparison with SAR 51 thousand during 2012 is attributable to the Company's investment in Initial Public Offerings (IPO) and newly listed shares.

Additionally, it is worth mentioning that the Company did not set aside the Zakat provision for 2013 and the second half of 2014 because the Company had set aside a high provision for 2012. It allocated the sum of SAR 1.965 million for Zakat provision in 2012. The actually paid amount was SAR 698 thousand for the same year. Thus, the sum of SAR 1.3 million remained as an increase in the provision. Since the Company did not realize any profits during the period ending on 31st December 2013 and the first six months of 2014, it did not allocate an additional provision. It should be noted that the Company obtained a restricted Zakat certificate for 2013, and did not obtain a final Zakat certificate.

The profits decreased during the first half of 2014 in comparison with the same period for the previous year due to the decrease in investment profits and the increase in deficit transferred from insurance operations.

It is worth mentioning that the Company previously submitted an objection to the Department of Zakat and Income Tax for levying Zakat tax on the statutory deposit. The Company submitted an objection to First Instance Committee on Zakat and Tax Objection on 2/9/1435H (corresponding to 29/6/2014G). The required Zakat amount is much higher than the value calculated by the Company by approximately SAR 174 thousand. There are no updates in such matter till the date of publishing the Prospectus.

#### Income Statement by Line of Business

**Table 6.5: Income Statement by Line of Business – Fiscal Year 11**

SAR Thousand	Auto	Medical	Property	Engineering	Other	Total
Insurance operations						
Gross written premiums	43,289	23,318	15,176	2,427	9,686	93,896
Net collected premiums	35,477	14,519	1,396	230	2,933	54,555
Reinsurance commissions	-	2,767	3,978	816	2,282	9,843
Other revenues	-	-	-	-	14	14
Net incurred claims	30,021	4,087	2,643	101	-2,526	34,326
Other expenses	5,913	3,762	2,498	434	1,520	14,127
Depreciation						
Operating expenses of administrative salaries and other general and administrative expenses	8,592	4,685	3,012	482	2,326	19,097
Income/loss in other insurance operations	-9,051	4,752	-2,779	29	3,911	-3,138
Investment commissions	-	-	-	-	-	-
Surplus from insurance operations	-9,051	4,752	-2,779	29	2,911	-3,138

Source: Wafa Insurance

**Table 6.6: Income Statement by Line of Business - Fiscal Year 2012**

SAR Thousand	Auto	Medical	Property	Engineering	Other	Total
Insurance operations						
Gross written premiums	59,661	76,357	14,903	2,160	9,379	162,460
Net collected premiums	48,754	25,081	1,459	321	3,164	78,779
Reinsurance commissions	-	344-	3,756	1,154	2,940	7,506
Other revenues	-	-	-	-	14	14
Net incurred claims	43,441	11,288	1,124	9-	592	56,436
Other expenses	7,379	8,393	2,496	431	1,612	20,311
Depreciation						
Operating expenses of administrative salaries and other general and administrative expenses	8,080	9,870	1,985	297	1,902	22,134
Income/loss in insurance operations	10,147-	4,814-	389-	756	2,013	12,581-
Investment commissions	-	-	-	-	-	-
Surplus from insurance operations	10,147-	44,814-	389-	756	2,013	12,581-

Source: Wafa Insurance

**Table 6.7: Income Statement By Line of Business – Fiscal Year 2013**

SAR Thousand	Auto	Medical	Property	Engineering	Other	Total
Insurance operations						
Gross written premiums	53,937	121,806	11,323	2,415	7,388	196,869
Net collected premiums	60,987	49,539	523	383	2,583	114,015
Reinsurance commissions	-	2,599	2,299	520	1,371	6,789
Other revenues	175	-	-	-	-	175
Net incurred claims	57,184	26,036	959	323	205	84,707
Other expenses	7,534	14,857	2,188	389	1,075	26,044
Depreciation						
Operating expenses of administrative salaries and other general and administrative expenses	5,386	13,165	2,015	266	812	21,644
Income/loss in insurance operations	8,943-	1,919-	2,341-	75-	1,862	11,416-
Investment commissions	-	-	-	-	-	-
Surplus from insurance operations	8,943-	1,919-	2,341-	75-	1,862	11,416-

Source: Wafa Insurance



**Table 6.8: Income Statement by Line of Business – First Half of Fiscal Year 2013**

SAR Thousand	Auto	Medical	Property	Engineering	Other	Total
Insurance operations						
Gross written premiums	35,176	46,522	9,152	1,863	6,054	98,767
Net collected premiums	31,455	21,727	371	184	1,023	54,760
Reinsurance commissions	-	332	1,112	313	434	2,191
Other revenues	175	-	-	-	-	175
Net incurred claims	23,033	9,460	2,030	71	430	35,024
Other expenses	3,933	6,488	1,019	194	416	12,050
Depreciation						
Operating expenses of administrative salaries and other general and administrative expenses	3,697	5,508	1,157	211	1,161	11,734
Income/loss in insurance operations	792	271	2,391-	21	550-	1,857-
Investment commissions	-	-	-	-	-	-
Surplus from insurance operations	792	271	2,391	21	550-	1,857

Source: Wafa Insurance

**Table 6.9: Income Statement By Line of Business - First Half of Fiscal Year 2014**

SAR Thousand	Auto	Medical	Property	Engineering	Other	Total
Insurance operations						
Gross written premiums	42,283	61,601	8,956	1,705	6,235	120,780
Net collected premiums	24,036	44,353	176	175	819	69,559
Reinsurance commissions	-	534	1,170	235	524	2,463
Other revenues	56	-	-	-	-	56
Net incurred claims	30,506	11,489	1,456	23	469	43,943
Other expenses	41,189	9,250	915	238	368	14,960
Depreciation						
Operating expenses of administrative salaries and other general and administrative expenses	5,770	8,592	1,145	295	1,149	16,951
Income/loss in insurance operations	16,373-	15,022	1,636-	146-	642-	3,775-
Investment commissions	-	-	-	-	-	-
Surplus from insurance operations	16,373-	15,022	1,636-	146-	642-	3,775-

Source: Wafa Insurance

## Gross written premiums

**Table 6.10: Gross Written Premiums versus Net Written Premiums for Fiscal Years 2011, 2012 and 2013**

SAR Thousand	Gross Written Premiums			Net Written Premiums		
	2011	2012	2013	2011	2012	2013
Medical insurance	23,317	79,356	121,806	17,475	40,167	66,436
Auto insurance	43,289	59,660	53,937	42,349	57,524	51,858
Engineering insurance	2,427	2,161	2,416	282	274	425
Property insurance	2,427	2,161	2,416	282	274	425
Marine insurance	4,962	5,056	3,749	770	864	760
General accidents and liability	3,369	3,019	3,677	1,383	1,139	1,434
Life insurance	1,354	1,305	960	961	894	670
<b>Total</b>	<b>93,895</b>	<b>162,460</b>	<b>196,868</b>	<b>64,803</b>	<b>102,026</b>	<b>121,922</b>

Source: Wafa Insurance

**Table 6.11: Gross Written Premiums versus Net Written Premiums - Comparison between First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	Gross Written Premiums		Net Written Premiums	
	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	46,522	61,602	25,193	35,560
Auto insurance	35,176	42,284	34,136	40,902
Engineering insurance	1,864	1,706	343	207
Property insurance	9,152	8,956	345	112
Marine insurance	3,580	3,654	896	481
General accidents and liability	1,999	3,118	987	1,561
Life insurance	474	459	371	90
<b>Total</b>	<b>98,767</b>	<b>120,780</b>	<b>6,271</b>	<b>78,914</b>

Source: Wafa Insurance

As previously mentioned, the Company achieved in an increase in the gross written premiums in the past three years as the written premiums increased in 2011 from SAR 93 million to approximately SAR 197 million in 2013, concurrently with the increase in the medical insurance written premiums (more than SAR 98.5 million), auto insurance (more than SAR 10.6 million), while the written premiums in other insurance activities decreased during such period.

It is worth mentioning that three clients did not renew their policies in 2013 (RAWAHEL Al-Mashaer Company, Binsammar Company, BinZomah Group) contributed to the total decrease in the written premiums by 10%.

In 2013, the Company's most important clients constituted approximately 16.3% of the gross written premiums, the most important five brokers constituted 23.8% of the gross written premiums, and the Company's most important client (Sarco Company) constituted approximately 4.5% of the gross written premiums. The most important five clients represent approximately 12.8% of the gross written premiums. The most important ten clients represent approximately 16.3% of the gross written premiums in that year.

**Medical Insurance:** Gross written premiums in medical insurance increased from SAR 23.3 million in 2011 to SAR 76 million in 2012, and to SAR 121.8 million in 2013 as a result of signing an agreement between the Company and Wattad National Company to be the Company Agency. The written premiums from such agent contributed by approximately 96% of the total increase in the medical insurance written premiums. Additionally, it is worth mentioning that such decrease in the medical insurance written premiums for each policy at the sum of SAR 11.8 thousand during such period from 2011 to 2013 is attributed to the decrease in the policies rates in accordance with the recommendation of the actuary based upon SAMA Report.

**Auto Insurance:** The gross written premiums in auto insurance increased by SAR 16.4 million between 2011 and 2012 due to the increase in a number of the written policies (more than 21,541 policies) as a result of signing an agreement between the Company and Wattad National Company for Insurance Agency in 2013. The gross written

premiums in auto insurance decreased by SAR 5.7 million as a result of the increase in the obligatory insurance policies rates, comprehensive insurance products as per the rate stated in the actuary report, and the Company's cessation of insurance provided to taxi cars and rental cars.

**Property Insurance:** The gross written premiums in property insurance decreased from SAR 15.2 million in 2011 to SAR 11.3 million in 2013 concurrently with the decrease in the number of written policies at 549 policies. This is because the Company pursued a conservative policy by ceasing insurance against loss due to fire for high risk warehouses. In 2013, the Company decided not to participate in rendering insurance services to Sarco Company and Alaalamiah Company due to high risks and increase in the number of claims.

**Engineering Insurance:** The gross insurance premiums in engineering decreased from SAR 2.4 million in 2011 to SAR 2.2 million in 2012, and increased to SAR 2.4 million in 2013. This is because of factors concerning a mixture of policies depending on the type of client and the period of projects covered by the policy. It is worth mentioning that the average gross written premiums per policy increased by the sum of SAR 6.1 thousand because the Company won many subscriptions in 2013 and the coverage periods thereof ranged between 3 and 5 years, and they were recognized in 2013 sales.

Additionally, the marine insurance premiums decreased from SAR 4.9 million in 2011 to SAR 3.7 million in 2013 due to high competitiveness in the market. The general accidents and liability insurance premiums decreased, as well, from SAR 3.3 million in 2011 to SAR 2.6 million in 2013 because the Company followed the policy of avoiding high risk subscriptions such as taxies, warehouses, and plastic factories (plastic factories are of very high risks due to easy flammability, premiums are normally low, and the reinsurers do not prefer such type of risks). In addition, the Company is targeting small and medium-size companies and stay away as much as possible from large-size companies.

It is noticed that the first half of 2014 witnessed an increase in medical insurance from SAR 46 million to SAR 61.6 million because the Company focused on selling individual insurance policies. Additionally, it is noticed that auto insurance premiums increased, although the Company raised its prices during 2014. This is due to price increase in auto insurance policies in Saudi market which resulted in obtaining, by the Company, a better share in the first half of 2014.

The Company kept the same growth rates for the rest of insurance branches through the first half of 2014 in comparison with the same period of the previous year because the company focused on paying individual medical insurance policies.

**Table 6.12: Gross Written Premiums by the Distribution Channels**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Direct sales	34,830	67,511	78,876	32,511	50,805
Brokers/agents	59,066	94,949	117,993	66,256	69,674
<b>Total</b>	<b>93,896</b>	<b>162,460</b>	<b>196,869</b>	<b>98,767</b>	<b>120,779</b>
As a percentage of the total					
Direct sales	37%	42%	40%	33%	42%
Brokers/agents	63%	58%	60%	67%	58%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

The gross written premiums increased through direct sales from SAR 34.8 million in 2011 to SAR 78.9 million in 2013. This is due to the increase in the number of underwritten policies by 103.430 policies during such period, and is attributable to the increase in sales achieved by the internal sales team at the Company.

Additionally, the Company depends heavily on brokers/agents as their sales constituted by 60% of the gross written premiums in 2013. Direct sales constituted 40% of the gross written premiums of the same year. The five most important five brokers constituted 23.8% of the gross written premiums in 2013.

Gross written premiums through agents increased dramatically from SAR 0.3 million in 2011 to SAR 43.8 million in 2013. This is due to the increase in the number of subscribed policies at 109.419 policies during such period because the Company signed an agreement with Wattad National Company for Insurance Agency in 2012 as such policies constituted 42.6% of the increase in the gross written premiums for the period from 2011 to 2013.

**Table 6.13: Gross Written Premiums by Region**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Western Region	31,105	42,073	45,225	21,024	22,331
Eastern Region	18,845	23,921	31,542	10,047	16,500
Central Region	43,946	96,466	120,102	67,696	81,947
<b>Total</b>	<b>93,896</b>	<b>162,460</b>	<b>196,869</b>	<b>98,767</b>	<b>120,779</b>
As a percentage of the total					
Western Region	32%	26%	23%	21%	18%
Eastern Region	20%	15%	16%	10%	14%
Central Region	48%	59%	61%	69%	68%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

The Company's sales focused on the Central Region. The sales in 2013 amounted to 61% in the gross written premiums.

It is noticed that the Company depends majorly on brokers/agents, with an improvement in direct sales during the first half of 2014.

**Table 6.14: Gross Written Premiums by Nature of Insured Parties**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Individuals	12520	67548	112122	69679	54412
Companies	81375	94912	84747	51101	44355
<b>Total</b>	<b>93896</b>	<b>162460</b>	<b>196869</b>	<b>120800</b>	<b>98767</b>
As a percentage of the total					
Individuals	13.3%	41.6%	57%	57.7%	55.1%
Companies	86.7%	58.4%	43%	42.3%	44.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

It is noticed that the sales strategy has changed throughout the three previous years. The Company focused selling to companies, which amounted in 2011 to 86.7% of the total sales and decreased to 43% in 2013 of the total sales, concurrently with the increase in individuals sales from 13.3% in 2011 to 57% in 2013.

The Company kept following the same strategy during the first half of 2014. The sales to individuals reached 55.1% of the total sales.

## Reinsurance

**Table 6.15: Premiums Ceded by Line of Business (inclusive excess of loss premiums) for Fiscal Years 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	5,843	36,190	55,371	20%	60%	74%
Auto insurance	940	2,137	2,080	3%	3.5%	3%
Engineering insurance	2,144	1,887	1,990	7%	3%	2.5%
Property insurance	13,594	13,738	10,984	47%	23%	15%
Marine insurance	4,192	4,191	2,988	14%	7%	4%
General accidents and liability	1,987	1,881	1,244	7%	3%	1%
Life insurance	392	410	289	2%	3%	1%
<b>Total</b>	<b>29,092</b>	<b>60,434</b>	<b>74,946</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source Wafa Insurance

**Table 6.16: Premiums Ceded by Line of Business (inclusive of Excess of Loss Premiums) - Comparison between the First Halves of Fiscal Years 2013 and 2014)**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	21,328	26,042	58%	62%
Auto insurance	1,598	1,567	4%	4%
Engineering insurance	1,467	1,472	4%	4%
Property insurance	8,550	8,765	23%	21%
Marine insurance	2,498	2,123	7%	5%
General accidents and liability	952	1,528	3%	4%
Life insurance	102	369	0%	1%
<b>Total</b>	<b>36496</b>	<b>41866</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.17: Ratio of Cession by Line of Business (exclusive of excess of loss premiums) for Fiscal Years 2011, 2012 and 2013**

Description	2011	2012	2013
Medical insurance	25%	47%	45%
Auto insurance	-	-	-
Engineering insurance	85%	85%	78%
Property insurance	88%	90%	92%
Marine insurance	80%	80%	70%
General accidents and liability	56%	56%	42%
Life insurance	29%	31%	30%
<b>Total</b>	<b>29%</b>	<b>35.45%</b>	<b>36.45%</b>

Source: Wafa Insurance

**Table 6.18: Ratio of Cession by Line of Business (Exclusive of Excess of Loss Premiums) - Comparison between the First Halves of Fiscal Years 2013 and 2014**

Description	30 June 2013	30 June 2014
Medical insurance	45.85%	42.28%
Auto insurance	-	-
Engineering insurance	78.71%	86.28%
Property insurance	93.41%	97.87%
Marine insurance	69.41%	97.87%
General accidents and liability	69.79%	80%
Life insurance	21.61%	80.37
<b>Total</b>	<b>35.33%</b>	<b>33.37%</b>
Retention Ratio	64.67%	66.63%

Source: Wafa Insurance

Reinsurance premiums increased by SAR 45.8 million for the period from 2011 to 2013. This is due to the growth in medical insurance activities which constituted 45% of the reinsurance premiums, in addition to the growth of auto insurance activities for the same period.

The ratio of cession of medical insurance governed by the relative treaties increased dramatically in accordance with the treaty signed with Hanover Life Re- Paris. Such ratio increased from 25.1% in 2011 to 47.4% in 2012 because the medical insurance premiums 2011 were for the corporate insurance which the Company may heavily retain. On the contrary, individuals' insurance in 2012 was substantially ceded. The ratio of cession decreased to 45.5% in 2013 because the reinsurers' share by treaty decreased from 65% in 2012 to 60% in 2013.

Auto insurance reinsurance premiums (excess of loss) increased from SAR 0.9 million in 2011 to SAR 2.1 million in 2013, concurrently with the growth in auto insurance written premiums during that period. The increase in cession ratio of auto insurance between 2011 and 2012 was because the premium minimum limit in the treaty increased according to the increase in the auto insurance portfolio. The cession ratio in auto insurance (excluding excess of loss) is deemed nil, as there are no reinsurance treaties for auto line of business. But the auto insurance is covered by excess of loss treaty.

Engineering insurance cession ratio decreased to 82.4% in 2013 from 88.4% in 2011 as a result of the change in the type of policies (policies for construction projects at different periods) in addition to the change in the reinsurance treaty.

It was noticed that the remaining branches kept same growth percentages in reinsurance premiums because the Company followed a reserved policy for the remaining branches to reduce risks.

The medical insurance activity kept the same growth during the first half of 2014; such activity constituted 62% of the total reinsurance premiums. Property insurance constituted 21% of the total reinsurance premiums at the sum of SAR 8.7 million in the first half of 2014.

**Table 6.19: Total Premiums Ceded by Reinsurance Methods**

SAR Thousand	2011	2012	2013	30 June 2014	30 June 2013
Optional reinsurance	3,117	3,940	7,405	8,216	817
Proportional Reinsurance	24,415	53,653	64,346	32,083	64,081
Non-proportional reinsurance (excess of loss)	1,561	2,841	3,195	1,567	1,598
<b>Total</b>	<b>29,092</b>	<b>60,434</b>	<b>74,946</b>	<b>41,866</b>	<b>36,496</b>
Percentages					
Optional reinsurance	10.7%	7.3%	9.9%	19.6%	2.4%
Proportional Reinsurance	83.9%	88.8%	85.9%	76.6%	93.4%
Non-Proportional Reinsurance (excess of loss)	5.4%	3.9%	4.2%	3.8%	4.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.20: Premiums Ceded by Geographical Distribution**

SAR Thousand	2011	2012	2013	30 June 2014	30 June 2013
Inside KSA	4,139	3,435	2,424	9,122	1,874
Outside KSA	24,953	56,999	72,522	32,744	34,622
<b>Total</b>	<b>29,092</b>	<b>60,434</b>	<b>74,946</b>	<b>41,866</b>	<b>36,496</b>
Local cession ratio	14.2%	5.7%	3.2%	21.8%	5.1%

Source: SAMA Reports Forms of the Company

## Reinsurers

**Table 6.21: Treaty List of Medical Reinsurers in Fiscal Year 2013**

Reinsurer	A.M Best Rating	Participation Percentage
Hanover Life Re Paris	A+	100%

Source: Wafa Insurance

**Table 6.22: Treaty List of Non-Medical Reinsurers in Fiscal Year 2013**

Reinsurer	A.M Best Rating	S&P Rating	Participation Percentage		
			Engineering Insurance	Protection against fire insurance	Marine Insurance
Swiss Re	A+				
HannoverRe Group- Bahrain	A+				
GIC RE-Dubai	A-		42.5%	42.5%	42.5%
Malaysia Re- Dubai	A-		7.5%	7.5%	7.5%
New India- India	A-		20%	20%	20%
Miley Re – Turkey	B++		2%	2%	2%
Saudi Re		BBB+	15%	15%	15%
Africa Re	A-		2.5%	2.5%	2.5%
A.C.R	A-		3.5%	3.5%	3.5%
Al Fajer Re/Emirates Re	B++		5%	5%	5%
Takaful Re	B+		2%	2%	2%

Source: Wafa Insurance

Risks in the Company are distributed to a number reinsurers of good ratings and stable positions at a minimum limit of B+, which fulfils the requirements of the regulations issued by SAMA.

**Reinsurance Commission Earned****Table 6.23: Commissions Earned for 2011, 2012, and 2013 and comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Received commission	10,336	6,303	6,428	3,265	3,885
Change in Unearned Commission	492-	1,203	361	1,074-	1,466-
Earned Commission	9,844	7,506	6,789	2,191	2,419

Source: Wafa Insurance

**Table 6.24: Commissions Received by Line of Business for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	2,766	344-	2,498	8%	5%-	7%
Auto insurance	-	-	-	-	-	-
Engineering insurance	805	973	438	42%	46%	35%
Property insurance	4,316	2,907	2,254	16%	30%	13%
Marine insurance	1,649	1,875	818	8%	15%	7%
General accidents and liability	800	892	420	27%	14%	39%
Life insurance	-	-	-	-	-	-
<b>Total</b>	<b>10,336</b>	<b>6,303</b>	<b>6,428</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance



**Table 6.25: Commissions Received by Line of Business - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	-	534	-	14%
Auto insurance	-	-	-	-
Engineering insurance	340	343	10%	9%
Property insurance	1,872	2,093	57%	54%
Marine insurance	781	531	24%	14%
General accidents and liability	272	383	8%	10%
Life insurance	-	-	-	-
<b>Total</b>	<b>3,265</b>	<b>3,885</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.26: Commissions Received as a ratio of Premiums Ceded for 2011, 2012 and 2013 - comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Medical insurance	47%	0.95%	5%	-	2%
Auto insurance	-	-	-	-	-
Engineering insurance	38%	52%	22%	37.54%	51.57%
Property insurance	32%	21%	21%	31.75%	21.16%
Marine insurance	39%	45%	27%	39.34%	44.73%
General accidents and liability	40%	47%	34%	40.27%	47.44%
Life insurance	-	-	-	-	-

Source: Wafa Insurance

The commissions earned include both reinsurance commissions and profits commission. Reinsurance commissions are payable for the activities included in proportional insurance treaties (such as engineering insurance, fire insurance, insurance on marine shipments and public incidents) with the exception of medical insurance activity (reinsurance commission does not apply to medical insurance in accordance with the treaty conditions). The commissions earned as a percentage of ceded premiums are normally commensurate with the provisions of every treaty on each line of business in every year.

The profit commission for medical insurance activity is calculated on a variable basis (as a percentage of the profits), depending on the loss ratio prevailing in the medical activity for each year based on a treaty with Hannover Re Takaful. The commissions of medical reinsurance fell in 2011 from SAR 2.7 million to SAR -0.3 million in 2012, due to reversing the value of the reinsurer's share of profit within the year. In 2013, the medical reinsurance commissions rose to SAR 2.5 million as a result of growth in the premiums ceded to SAR 19.2 million.

Property reinsurance commissions fell by SAR 2 million within the period from 2011 to 2013, coinciding with the decline in the premiums ceded for property insurance from SAR 13.6 million in 2011 to SAR 11 million in 2013, and also with the decline in gross written premiums (by 549 insurance policies) within the same period.

Marine reinsurance commissions fell from SAR 1.6 million in 2011 to SAR 0.8 million in 2013 due to the decline in the premiums ceded for marine insurance from SAR 4.2 million in 2011 to SAR 3 million in 2013.

As for engineering reinsurance commissions, they fell from SAR 805 thousand in 2011 to SAR 438 thousand in 2013, coinciding with the decline in the premiums ceded for engineering insurance from SAR 2.1 million in 2011 to SAR 1.99 million in 2013.

It is evidently noticed that the earned commissions of engineering insurance fell from 38% in 2011 to 22% in 2013 due to the decline in the premiums ceded in that period and the decline in the percentage of commission agreed upon with the reinsurer.

It is also noticed that the commission fell by 39% for the rest of marine insurance branches, 32% for property, and 40% for general accidents in 2011 to 27%, 21% and 34% respectively in 2013. This is attributed to the decline of the percentages agreed upon with the reinsurer.

The rise in the earned commissions within the first half of 2014 compared to the first half of 2013 is attributed to calculating the profit commission for medical insurance activity at SAR 534 thousand. There has not been any increase in earned commissions for the rest of insurance branches due to the stability of the reinsurance premiums' growth rate within the first half of 2014.

## Claims

**Table 6.27: Net Claims Incurred By Line of Business for 2011, 2012 and 2013**

SAR Thousand	Net Loss					
	2011	2012	2013	2011	2012	2013
Medical insurance	4,087	11,288	26,037	23%	28%	39%
Auto insurance	30,021	43,442	57,183	71%	76%	110%
Engineering insurance	100	9-	253	36%	3%-	60%
Property insurance	2,642	1,124	886	167%	97%	261%
Marine insurance	323	208	37	42%	24%	5%
General accident and liability	5,638-	228	92	4%-	20%	6%
Life insurance	2,790	155	219	290%-	17%	33%
<b>Total</b>	<b>34,325</b>	<b>56,436</b>	<b>84,707</b>	<b>53%</b>	<b>55%</b>	<b>69%</b>
As a percentage from the total						
Medical insurance	11.9%	20%	30.7%			
Auto insurance	87.5%	77%	67.5%			
Engineering insurance	0.3%	0%	0.3%			
Property insurance	7.7%	2%	1%			
Marine insurance	0.9%	0.4%	0%			
General accident and liability	0.2%-	0.4%	0.1%			
Life insurance	8.1%-	0.3%	0.3%			
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			

Source: Wafa Insurance

**Table 6.28: Net Claims Incurred By Line of Business - Comparison between First Half of 2013 and First Half of 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	9,460	11,490	%38	%32
Auto insurance	23,033	30,507	%67	%75
Engineering insurance	71	23	%21	%11
Property insurance	2,030	1,456	%589	%1,301
Marine insurance	47	114	%9	%24
General accidents and liability	189	334	%19	%21
Life insurance	194	19	%44	%22
<b>Total</b>	<b>35,024</b>	<b>43,943</b>	<b>%56</b>	<b>%56</b>

Source: Wafa Insurance

**Table 6.29: Total Claims By Line of Business for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	9,797	26,945	52,791	25%	47%	62%
Auto insurance	24,969	43,525	54,108	46%	37%	27%
Engineering insurance	137	1,042	834	3%	1%	1%
Property insurance	25,921	6,132	16,971	16%	9%	6%
Marine insurance	1,574	1,162	905	5%	3%	2%
General accidents and liability	213	217	145	4%	2%	1%
Life insurance	240	366	325	1%	1%	0%
<b>Total</b>	<b>62,851</b>	<b>79,389</b>	<b>126,079</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.30: Total Claims by Line of Business - comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	23,803	26,277	%39	%45
Auto insurance	23,969	29,033	%40	%50
Engineering insurance	690	48	%1	%0
Property insurance	11,108	1,991	%18	%3
Marine insurance	572	153	%1	%0
General accidents and liability	84	739	%0	%1
Life insurance	325	198	%1	%0
<b>Total</b>	<b>60,551</b>	<b>58,439</b>	<b>%100</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.31: Total Claims Paid by Geographic Region for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Western Region	20,815	28,030	34,911	33%	35%	28%
Eastern Region	7,105	11,788	22,135	11%	15%	18%
Central Region	34,931	39,571	69,034	56%	50%	54%
<b>Total</b>	<b>62,851</b>	<b>79,389</b>	<b>126,080</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.32: Total Claims Paid by Geographic Region - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Western Region	22,219	10,088	%37	%17
Eastern Region	9,322	14,553	%15	%25
Central Region	29,009	33,798	%48	%58
<b>Total</b>	<b>60,550</b>	<b>58,439</b>	<b>%100</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.33: Total Claims by Distribution Channels for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Direct sales	10,189	24,846	29,917	16%	31%	24%
Brokers /agents	52,662	54,543	96,163	84%	69%	76%
<b>Total</b>	<b>62,851</b>	<b>79,389</b>	<b>126,080</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.34: Total Claims by Distribution Channels - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Direct sales	18,524	9,836	%30.5	%16.7
Brokers / agents	42,026	48,603	%69.5	%83.3
<b>Total</b>	<b>60,550</b>	<b>58,439</b>	<b>%100</b>	<b>100%</b>

Source: Wafa Insurance

The overall percentage of net loss increased in 2013 to 69% compared to 53% in 2011 due to a significant increase in the compulsory auto insurance activity within the fourth quarter of 2012 and the first quarter of 2013, which led to a notable increase in the claims paid. This is also attributed to the fact that the Company within 2011 and 2012 accepted unprofitable insurance underwritings such as taxi cars, rental cars, and high-risk property (fire) insurance.

Net claims of all insurance branches have fallen except medical insurance, car, general accidents and liability and engineering insurance due to non-acceptance of high-risk insurance and following a reserved insurance policy. The net claims of property insurance branch declined from SAR 2.6 million in 2011 to SAR 886 thousand in 2013; and the net claims of marine insurance branch declined from SAR 323 thousand in 2011 to SAR 37 thousand in 2013; and the claims of life insurance branch declined from SAR 2.7 million to SAR 219 thousand.

The net loss of the medical insurance branch has risen within 2013 because the Company made a provision for claims incurred but not reported (IBNR) from 23% in 2011 to 110% in 2013.

The net loss of the auto insurance branch has risen within 2013, because the Company set aside a provision for IBNR claims from 71% in 2011 to 39% in 2013.

It should be noted that the Company allocated SAR 12.8 million during 2013 as a provision for IBNR claims, which led to an increase in losses, especially in auto and medical insurance.

The claims continued to rise during the first half of 2014 compared to the previous year in the branches of medical and auto insurance because the sales are focused on these two branches. The net claims of the auto insurance branch rose from SAR 23 million within the first half of 2013 to SAR 30 million within the first half of 2014 because the Company made extra provisions amounting to SAR 3 million and due to the continuation of obligatory insurance policies.

The rise in total claims paid from SAR 62.8 million in 2011 to SAR 126 million in 2013 is attributed to the significant increase of medical and auto insurance. The rise in claims paid in medical insurance activity is attributed primarily to the growth in total medical insurance premiums by 426% within the previous three years.

The total claims of all insurance branches have fallen, except for medical, auto and engineering insurance branches that rose from SAR 9.7 million, SAR 24.9 million and SAR 137 thousand in 2011 to SAR 52.7 million, SAR 54 million and SAR 137 thousand in 2013.

The significant rise in total claims of auto insurance activity is attributed to the sale of compulsory insurance policies at low prices and also the sale of insurance policies for taxi cars and rental cars of high-risk, which led to large losses and increasing the volume of claims paid.

The significant rise in total claims in medical insurance branch is attributed to the significant rise in gross written premiums within 2012 and 2013.

The Central Region of Saudi Arabia is considered to have the largest share of total claims paid within 2011, 2012 and 2013, reflecting the concentration of the Company's activity in this Region. The total claims paid therein are 56%, 50% and 54% in 2011, 2012 and 2013 respectively from the total aggregate claims.

Total claims fell within the first half of 2014 compared to the same period in 2013 from SAR 60.5 million to SAR 58.4 million due to the decline of claims paid for the property insurance activity. There was a large claim paid within the first half of 2013, and also because the Company has ceased to provide high-risk warehouse insurance.

Claims increased significantly within the first half of 2014, and whose source is brokers and agents due to increasing the activity of medical and auto insurance through brokers and agents. The Central Region still has the largest share of total claims within the first half of 2014.

#### Commissions Incurred

**Table 6.35: Commission Incurred for 2011, 2012 and 2013 - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Commission Paid	12,762	17,394	20,067	10,640	12,817
The change in the subscription costs of deferred insurance policies	-1,768	-2,324	-1,680	-1,923	-2,616
Incurred commission	10,994	15,070	18,387	8,717	10,201
Key indicators	12%	9%	9%	%11	%10.5
The commission paid as a percentage of gross written premiums					

Source: Wafa Insurance

#### Commissions Paid

**Table 6.36: Commission Paid for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	2,095	6,073	10,470	16%	35%	52%
Auto insurance	6,445	7,406	6,374	51%	43%	32%
Engineering insurance	403	357	383	3%	2%	2%
Property insurance	2,290	2,147	1,823	18%	12%	9%
Marine insurance	859	819	556	7%	5%	3%
General accidents and liability	551	485	395	4%	3%	2%
Life insurance	119	107	66	1%	1%	0%
<b>Total</b>	<b>12,762</b>	<b>17,394</b>	<b>20,067</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.37: Commission Paid - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	3,910	5,669	%37	%44
Auto insurance	3,930	4,771	%37	%37
Engineering insurance	308	226	%3	%2
Property insurance	1,633	1,273	%15	%10
Marine insurance	532	398	%5	%3
General accidents and liability	300	463	%3	%4
Life insurance	27	17	%0	%0
<b>Total</b>	<b>10,641</b>	<b>12,817</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

It is agreed upon the percentage of commissions paid to insurance agents and brokers and the Company's sales team on the basis of each individual case. Nevertheless, Wafa Insurance has begun to apply the new regulations of SAMA that govern the paid commission and stipulate that the commission rates may not exceed 15% of the premiums except for auto and medical compulsory insurance (as the commission of these two activities may not exceed 8%), and for comprehensive health insurance the commission so that it does not exceed 10%, in line with SAMA requirements published in 2011.

Commissions have risen significantly in the medical insurance activity from SAR 2 million in 2011 to SAR 10 million in 2013 due to the significant rise in the volume of written premiums. The significant rise in both commissions incurred and paid is attributed to the obvious rise in medical insurance activity and the consequent commissions paid to brokers and agents.

The Company maintained a fixed paid commission rate for the rest of insurance branches due to the fixed growth rate for all branches and the commitment of the Company to the paid commission rate as instructed by SAMA.

It is noticed that the commissions paid have risen within the first half of 2014 compared to the same period of the previous year due to the rise in the volume of written premiums within the first half of 2014. The medical insurance activity still represents the largest share of the total commissions paid within the first half of 2014.

It is also noticed that the commission paid to the auto insurance branch has risen due to the rise of gross written premiums within the first half of 2014 compared to the same period of the previous year.

## General and Administrative Expenses

**Table 6.38: General and Administrative Expenses for 2011, 2012 and 2013**

SAR Thousand	2011	%	2012	%	2013	%
Salaries and wages	12,304	64%	17,475	79%	18,346	85%
Marketing and advertising	80	0.5%	292	1%	454	2%
Leasing	1,242	6.5%	1,298	6%	1,183	5.5%
Depreciation	1,782	9.3%	1,025	5%	925	4%
Professional and license fees	717	4%	1,117	5%	1,054	5%
Sharia fees	165	0.9%	65	0.3%	-	-
Travel and movement expenses	122	0.65%	319	1.45%	303	1.4%
Car maintenance	90	0.5%	69	0.3%	40	0.2%
Stationary and printing material	301	1.6%	712	3.20%	577	2.7%
Expenses of doubtful debts	475	2.5%	-1,500	-6.8%	-2,500	-11.5%
IT expenses	978	5.1%	1,117	5%	1,262	5.7%
Fines	-	-	100	0.5%	-	-
Other expenses	841	4.4%	45	0.05 %	-	-
<b>Total</b>	<b>19,097</b>	<b>100%</b>	<b>22,134</b>	<b>100%</b>	<b>21,644</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.39: General and Administrative Expenses - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	%	30 June 2014	%
Salaries and wages	9,601	%81.82	9,154	%54
Marketing and advertising	175	%1.49	82	%0.48
Leasing	569	%4.85	1,263	%7.4
Depreciation	494	%4.21	408	%2.4
Professional and license fees	499	%4.25	1,240	%7.43
Sharia fees	-	-	-	-
Travel and movement expenses	175	%1.49	138	%0.81
Car maintenance	-	-	-	-
Stationary and printing material	209	%1.78	449	%2.64
Expenses of doubtful debts	-	-	3,305	%19.49
IT expenses	709	%6.04	479	%2.8
Fines	-	-	-	-
Other expenses	-697	-5.94%	433	%2.55
<b>Total</b>	<b>11,734</b>	<b>100%</b>	<b>16,951</b>	<b>100%</b>

Source: Wafa Insurance

General and administrative expenses for the shareholders' operations and insurance operations have risen from SAR 19.1 million in 2011 to SAR 22 million in 2013. This is attributed mainly to the decline of the provision for doubtful debts from SAR 475 thousand in 2011 to SAR -2.5 million in 2013 in the Company's compliance with the requirements of SAMA with respect to calculation of provisions. Further, the rise of about SAR 6 million in salaries and wages expenses was due to the employment of 24 employees.

It is noticed that the percentage of general and administrative expenses from gross written premiums has fallen from 20% in 2011 to 11% in 2013 due to the significant rise in the written premiums compared to such expenses within the three previous years.

The salaries of employees and relevant expenses represented the largest element in the Company's general and administrative expenses in 2011, 2012 and 2013. They amounted to 64%, 79% and 85% respectively of the total general expenses. This level of salaries is considered within the normal range as the main expense for all insurance companies is salaries. The proportion of total wages and salaries per employee has increased from SAR 146 thousand in 2011 to SAR 170 thousand in 2013. The Company appointed within the past two years a number of directors in the vacancies, resulting in a significant rise of salaries from SAR 12.3 million in 2011 to SAR 18.3 million in 2013. It was pointed out that this rise is one of the risks that may influence the Company's operating results (Please refer to Section titled "Risk Factors" – "Risks related to Company's Activities and Operations" – "Risks of High Salaries").

IT expenses have risen from SAR 1 million in 2011 to SAR 1.3 million in 2013 due to the purchase and operation of the Company's new accounting system (Eskadenia) in 2012.

The professional fees formed 4%, 5% and 5% of the total general and administrative expenses in 2011, 2012 and 2013 respectively. These fees include those of external auditors, internal auditors, financial and legal advisers, and actuarial specialists appointed from third parties.

The leasing expense fell from SAR 1.2 million in 2011 to SAR 1.1 million in 2013 although the Company leased a new building within 2013. This is imputed to the incorrect entry of the expense within 2013. The appropriate rectification was introduced within the first half of 2014.

It is also noticed that the expenses of stationary and printing material have risen from SAR 301 to SAR 577 thousand due to the growth in the Company's size and increasing the number of employees.

It is also noticed that the expense of doubtful debts has fallen within 2013 in the amount of SAR 2.5 million because the Company followed a new collection policy that led to reduction in accounts receivable and collection of aged receivables.

It is noticed that within the first half of 2014 there was an increase in the general and administrative expenses tangibly compared to the first half of 2013. This is attributed to the fact that the Company made an additional provision for doubtful debts in the amount of SAR 3.3 million and to the rise of the leasing expense as the Company hired a new building within the year and because of the correction made to the leasing expense within 2014.

The Company asserts that its business and financial position are not influenced by any seasonal factors or economic cycles. Except as stated in the section titled "Risk Factors", the Company's operations have not been influenced by any governmental, economic, financial, monetary or political policies or any other factors (directly or indirectly) until the date of this Prospectus.

## Balance Sheet

**Table 6.40: Balance Sheet of 2011, 2012 and 2013 and a comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	31 December 2011 (Audited)	31 December 2012 (Audited)	31 December 2013 (Audited)	31 December 2012 (Not audited)
Assets of insurance transactions				
Cash and cash equivalents	2,624	15,651	10,400	427
Policyholders' receivables, Net value	34,742	50,022	45,452	49,678
Reinsurer's share from outstanding claims	14,844	24,653	20,705	24,722
Reinsurer's share from unearned premiums	13,041	29,019	36,520	46,932
Deferred policy acquisition costs	5,384	7,708	9,403	12,020
Prepaid expenses	790	1,406	3,865	948
Investments	2,423	2,423	2,423	2,423



SAR Thousand	31 December 2011 (Audited)	31 December 2012 (Audited)	31 December 2013 (Audited)	31 December 2012 (Not audited)
Prepayments and other accounts receivable	3,891	1,047	6,669	6,690
Property and equipment, net	586	473	398	482
Intangible assets, net	572	2,209	1,657	1,265
Accounts receivable from Shareholders' Operations	13,561	23,377	35,304	46,339
Total Insurance assets	92,458	157,987	172,794	191,927
Shareholders' Assets				
Cash and cash equivalent	47,617	30,898	10,099	26,033
Investments	8,561	15,258	45,570	38,334
Prepayments and other assets	-	9	930	428
Statutory deposit	10,748	15,800	10,800	10,800
Total shareholders' Assets	66,626	61,965	67,399	75,595
Total Assets	159,084	219,952	240,193	267,522
Insurance Operations liabilities and surplus				
Insurance Operations Liabilities				
Accounts payable to reinsurers	5,372	16,023	9,492	7,737
Gross unearned premiums	40,986	80,211	65,452	115,376
Unearned reinsurance commissions	2,756	1,553	1,192	2,658
Outstanding claims	32,124	44,979	49,767	58,301
Provision for life-insurance operations	1,342	1,342	1,517	1,517
Outstanding expenses	1,362	2,920	2,608	929
Accounts payable to brokers	-	-	-	2,940
Other liabilities	7,783	9,825	11,419	1,027
Employees' End of Service Gratuity	703	1,136	1,346	1,442
Total Insurance operations liabilities	93,458	157,987	172,794	191,927
Insurance operations surplus				
Accrued surplus	-	-	-	-
Change in fair value of investments available for sale	-	-	-	-
Total insurance operations liabilities and surplus	92,458	157,987	172,794	191,927
Liabilities and Equity				
Shareholders' liabilities				
Due Zakat	1,100	1,300	601	251
Expenses payable	194	1,194	1,314	1,105
Other liabilities	648	700	700	700
Amounts to be paid to insurance activities	13,561	23,377	35,304	46,339
Total Shareholders' liabilities	15,502	26,571	37,919	48,396
Shareholders' Equity				
Capital	100,000	100,000	100,000	100,000
Accumulated losses	(49,160)	(65,126)	(71,679)	(73,339)
Change in the fair value for available-for-sale investments	284	520	159	538
Total Shareholders' Equity	51,124	35,394	29,480	27,199
Total Liabilities and Shareholders' Equity	66,626	61,965	67,399	75,595
Total Liabilities and Equity	159,084	219,952	240,193	267,522

Source: Financial Statements

**Table 6.41: Balance Sheet – Performance Indicators and Ratios**

Description	31 December 2011	31 December 2012	31 December 2013	31 December 2014
	1.46	1.17	1.13	1.10
Liquidity	0.57	0.35	0.32	0.28
Cash	5.1	3.5	2.9	2.7
Share's book value (SAR)	37%	31%	23%	41%
Ratio of receivable insurance premiums/gross written premiums	22%	23%	19%	19%
Asset turnover (once)	0.41	0.46	0.51	0.29

Source: Management Analyses

The total assets increased up from SAR 159.1 million as of 31 December 2011 to SAR 240.2 million as of 31 December 2013, mainly driven by the increase in the available-for-sale investments to SAR 37 million, higher reinsurers' share in the provision of unearned premiums, in addition to the increased accounts payable to SAR 21.7 million yielded from the shareholders' operations.

The insurance operations assets (policyholders) accounted for 57.8% of the total assets as of 31 December 2011 against 71.6% in 2012 and 71.6% in 2013. While the cash and cash equivalents represented 1.25% in 2011, 7% in 2012 and 4% in 2013 of the total assets. The premiums receivable were 21% in 2011, 23% in 2012 and 18.75% in 2013 of the total assets. The insurance operations assets (policyholders) constituted 71.8% of the total assets in 30 June 2014, while the cash and cash equivalents made up 9.9% and premiums receivable 18.6% in 30 June 2014 of the total assets.

The total liabilities and shareholders' equity increased up from SAR 159.1 million as of 31 December 2011 to SAR 240.2 million as of 31 December 2013. This is primarily attributed to the increase in the unearned premium provision to SAR 54.5 million, resulting from the insurance operations (SAR +21.7 million) and provision of outstanding claims (SAR +17.6 million). Such increase partially declined in view of the accumulated losses by SAR 22.5 million.

The total liabilities and shareholders' equity rose up to SAR 267.5 million in 30 June 2014 on account of the increase both in the earned premium provision up to SAR 115 million and provision of outstanding claims to SAR 58.3 million in 30 June 2014.

The insurance operations liabilities accounted for 58% of the total liabilities as of 31 December 2011, 71.8% in 2012 and 71.9% in 2013. The gross unearned premiums in 2011 were 25.7% (36.4% in 2012 and 39.7% in 2013) of the total assets and the total outstanding claims made up 20% in 2011 (20.4% in 2012 and 20.7% in 2013) of the total liabilities.

The cash and cash equivalents declined to SAR 46.4 million in 2012 down from SAR 50.2 million in 2011 and to SAR 20.4 million in 2013 on account of the Company's investment of SAR 30 million in 2013 with Al Khair Capital and settlement of all its liabilities. In the first half of 2014, due to the improved collection, the cash went up to SAR 26.4 million.

The premiums receivable increased to SAR 50 million in 2012 up from SAR 34.7 million in 2011, relying on the increase in the premium volume and the Company's attraction of a new customer (Saco Co.) for medical insurance product (SAR 8 million in 2012). Notwithstanding the higher written premium, the premiums receivable declined to SAR 45.4 million in 2013. The Company, however, pursued a new collection policy that led to an improved collection process. The said policy remained applicable in the first half of 2014 and the premiums receivable moderately increased up to SAR 49.6 million despite the increase in written premiums along this period. It should be noted that with the Company's increasing focus on the human resources sector, the days set for collecting the premiums receivable reduced from 172 days to 101 days in 2011 and 2013.

Given that the outstanding claims were on increase in 2011, 2012 and 2013, the reinsurers' share therefrom rose up from SAR 14.8 million in 2011 to SAR 24.6 million in 2012, and to SAR 20.7 million in 2013. It kept on rise in the first half of 2012 to become SAR 24.7 million.

The reinsurers' share from the unearned premiums went up from SAR 13 million in 2011 to SAR 29 million in 2012 and SAR 26.5 million in 2013. That rise was due to the increase in the gross written premiums during 2011, 2012 and 2013. It kept on rise in the first half of 2014 to become SAR 46.9 million.

The deferred policy acquisition costs increased up from SAR 5.3 million in 2011 to SAR 7.7 million in 2012 to reach SAR 9.4 million in 2013, mainly driven by the increase in the gross written premiums over 2011, 2012 and 2013. It kept on rise in the first half of 2014 to reach SAR 12 million.

The prepaid expenses went also up from SAR 790 thousand in 2011 to SAR 1.0 million in 2012 and SAR 3.9 million in 2013, as a result of a new building lease by the Company in 2013 valuing at SAR 1.4 million and recognized as a prepaid expense. It went down in the first half of 2014 to be SAR 948 thousand.

It is noted that the prepaid payments and other accounts receivable rose up from SAR 3.8 million to SAR 1 million in 2012 and SAR 6.7 million in 2013 on account of entering an amount of SAR 3 million as profits yielded from health insurance agreements with Hannover Re, Paris. The amount did not change in the first half of 2014.

Further, the intangible assets, net were on upward trend from SAR 572 thousand in 2011, SAR 2.2 million in 2012 and SAR 1.7 million in 2013. That was attributable to the Company's acquisition of new actuarial and insurance software (Eskadenia). The amount was then decreased in the first half of 2014 to SAR 1.2 million because of amortizations.

Due to the rise of the reinsurance premiums for, in particular, the medical insurance during 2011, 2012 and 2013, the accounts payable to reinsurers were as well on upward trend: SAR 5.3 million in 2011, SAR 16 million in 2012 and SAR 9.4 million in 2013. Upon effecting the payment of SAR 10 million to Hannover Re Paris by the Company, the balance went down to SAR 7.7 million in the first half of 2014.

The technical reserves increased to a great extent in 2013 to be SAR 147.9 million based on the significant rise in the unearned premiums in 2013 and the outstanding claims in 2013. Such increase went on in the first half of 2014 up till the total technical reserves hit SAR 177.8 million.




The outstanding expenses rose up from SAR 1.3 million in 2011 to SAR 2.9 million in 2012 and SAR 2.6 million in 2013, on account of the rise in the medical insurance premiums during 2011, 2012 and 2013. The Company allocates 1% of the gross written premiums for the medical insurance every fiscal year to be paid to the Health Insurance Council. It significantly went down during the first half of 2014 upon the payment of SAR 1.2 million by the Company to the Health Insurance Council in 2013.




Since the Company allocated a high provision in 2012, no provision was given by the Company for the due Zakat item in 2013. That is reflected in the decline in the Zakat provision to SAR 601 thousand in 2013 against SAR 1.1 million in 2011 and SAR 1.3 million in 2012. It kept declining in the first half of 2014 when the Company repaid the Zakat amount of SAR 370 thousand in 2013.

For the outstanding expenses in the shareholders' statement, it represents the Board of Directors remuneration of an annual rate of SAR 1.1 million. In response to the Board of Director's request, such provision was not allocated by the Company in 2011. In the first half of 2014, the Board of Directors' remuneration for 2013 were settled by the Company in the first half of 2014.

The Company had accumulated losses of SAR 73.3 million as of 30 September 2014, accounting for 73.3% of the Company' capital. We should refer to the Resolution No. 4-48-2013 dated 15/01/1435H by the Capital Market Authority (CMA) dictating the approval of procedures and instructions for the companies listed on the Stock Exchange and which sustained accumulated losses more than 50% and less than 75% of its capital, and being bound to disclose their financial statements on a monthly basis. Should the Company's losses go beyond 75% or more, the trading of its share is likely to be suspended by CMA, as shown in the table below:

**Table 6.42: A summary of procedures and instructions issued by the Saudi Stock Exchange (Tadawul) concerning the companies with accumulated losses reaching 50% or more of its capital**

Procedures	50% or more Less than 75% 	75% or more Less than 100% 	100% or more 
The Company's Announcement of losses	Upon its accumulated losses reaching 50% or more of its capital, the Company shall make an announcement reflecting the total accumulated loss, its percentage of the capital along with the main reasons that caused such losses.		
Suspension of trading	Trading of the Company's shares shall be suspended for two hours from the session opening.	Trading of the Company's shares shall be suspended for one trading session after the release of the Company's announcement on Tadawul website.	Trading of the Company's share shall be suspended.
Flagging	A flag shall be added.		
Settlement	Tadawul electronic system	After the lift of suspension, the settlement shall be effected within two working days (T+2), and this shall remain for two fiscal years in full (each year is not less than 12 months) following the fiscal year on which the Company announced that its accumulated losses reached 75% or more of its capital.	Dealing with the Company's shares may be made within the suspension period through Depositary Center in accordance with the applicable mechanism pursued by the Exchange (T+2). This will remain for two fiscal years in full (each year is not less than 12 months) following the fiscal year on which the Company announced that its accumulated losses reached 75% or more of its capital.
Regularization Plan	N/A	The Company must prepare and disclose its regularization plan within a period not beyond 90 calendar days.	The Company must prepare and disclose its regularization plan within a period not beyond 90 calendar days.
Plan details announcement	N/A	Quarterly	Quarterly
Announcement of financial statements	The Company shall publish its financial statements within a period not beyond ten days from each month.		
Announcement on loss reduction	The Company shall make an announcement upon reducing its accumulated losses below 50%, and Tadawul will delete the flag.	The Company shall make an announcement, but two year must elapse to remove the flag and resume (T+0) settlement (after requirements are met).	The Company shall make an announcement, but two years must elapse to remove the flag and resume (T+0) settlement (after requirements are met).

Procedures	50% or more Less than 75% 	75% or more Less than 100% 	100% or more 
Delisting	N/A	<p>The Company is delisted thirty days from the occurrence of any of the following:</p> <p>If the Company fails to set and disclose a regularization plan of its own to its shareholders within a period of no more than 90 days as from the Company's announcement of losses.</p> <p>If two fiscal years elapsed without regularizing its positions by reducing its accumulated losses below 75% of its capital, or not generating operating profits and positive operating cash flows in its last fiscal year.</p>	<p>The Company is delisted thirty days from the occurrence of any of the following:</p> <p>1. If the Company fails to set and disclose a regularization plan of its own to its shareholders within a period of no more than 90 days as from the Company's announcement of losses.</p> <p>2. If two fiscal years elapsed without regularizing its positions by reducing its accumulated losses below 75% of its capital, or not generating operating profits in the last fiscal year (this period includes the period set forth in clause (2) of paragraph (j) in Article (4) of the procedures and instructions).</p>
Trading after delisting	N/A	The Company's shares may be traded through Securities Depository Center (Over the Counter) in line with the applicable mechanism pursued by the Exchange	The Company's shares may be traded through Securities Depository Center (Over the Counter) in line with the applicable mechanism pursued by the Exchange

Source: Saudi Stock Exchange (Tadawul)

Having incurred accumulated losses over 50% and less than 70% of its capital, the Company is required to make an announcement of its statements on a monthly basis as from 1-7-2014. A yellow-colored flag shall also appear next to the Company's name on Tadawul's website. The Company intends to cover its accumulated losses after the right issue subject matter of the present prospectus.

The Company emphasizes the fact that it has no debt instruments (whether issued, under settlement, disclosed or concluded but not yet issued) or other term loans, credits, debts or mortgages as of 31 December 2011, 2012 and 2013. The Company also acknowledges that it is not bound by any contingent obligations or indemnities as of 31 December 2011, 2012 and 2013 other than those referred to in the financial statements for the fiscal years ending on 31 December 2011, 2012 and 2013. There are no contingent obligations or indemnities until 30 June 2014.

## Investments

The available-for-sale investments increased by SAR 37 million from 31 December 2011 to 31 December 2013. The portion of shareholders' operations out of the total investments was SAR 45.6 million (equaling 95% of the total) in comparison with the portion of insurance operations of SAR 2.4 million (equaling 5%) as of 31 December 2013.

The insurance operations investments comprise that in Najm for Insurance Services of around SAR 1.9 million and instruments of Saudi Hollandi Bank of SAR 0.5 million (equaling 5%) as of 31 December 2013, maintaining the same value over the period from 2011 to 2013.

The shareholders' operations investments include those in Sharia-compliant funds like ORIX instruments, Riyadh Capital Fund and Al Khair Capital Fund. These investments valued at roughly SAR 4.3 million as of 31 December 2013, accounting for 95.5% of the total investments of shareholders' operations. The investments in the underwritten companies such as Al Tayyer Group in 2012, Bawan Co. in 2013 valued at roughly SAR 1.9 million, constituting 4.1% of the total investments of shareholders' operations as of December, 2013.

The Company has capitalized on an investment of SAR 30 million in Al Khair Capital Fund in 2013, making around 65.8% of the total available-for-sale investments for the shareholders' operations.

During the first half of 2014, the Company withdrew from Riyadh Capital Fund, taking away an amount of SAR 8.9 million with an aim to raise its financial solvency in addition to buying shares in Saudi Marketing Co. - FARM of around SAR 650 thousand.

The Company pinpoints that it has no other property or acquisitions except those mentioned in the above paragraph, including the contractual securities or other assets whose value is prone to fluctuations or hard to affirmatively determine, thus considerably affecting the estimation of financial position.

## Technical Provisions

**Table 6.43: Technical Provisions for 2011, 2012 and 2013 and Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Unearned premiums income	40,985	80,210	95,451	91,115	115,376
Life-insurance operations provision	1,341	1,341	1,516	1,341	1,516
Outstanding claims	32,123	44,978	49,767	42,434	58,301

Source: Wafa Insurance

The sufficiency of technical provisions is to be estimated on an annual basis. Amendments are to be proposed by the Company's actuary in consistence with the requirements set by SAMA.

In view of the rise in the written premiums volume, the unearned premiums provisions increased up from SAR 40.9 million in 2011 to SAR 95 million in 2013.

For the increased provision for the incurred but not reported claims in 2013 according to the actuarial report, the outstanding claims rose up from SAR 32 million in 2011 to SAR 49.7 million in 2013.

During the first half of 2014, the unearned premiums provision considerably increased, consequential to the rise in the written premiums volume along the first half in comparison with the last year.

During the first half of 2014, the outstanding claims rose up from SAR 42.4 million to SAR 58.6 million based on the rise in the number of claims during the first half of 2014, in particular, for the auto insurance.

## Cash and Cash Equivalents

### Cash and cash equivalents of shareholders' operations

**Table 6.44: Cash and cash equivalents for shareholders' operations for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Cash in fund	378	-	-	0%	0%	0%
Current accounts	46,938	897	10,098	100%	3%	100%
Term deposits	-	30,000	-	0%	97%	0%
<b>Total</b>	<b>47,316</b>	<b>30,897</b>	<b>10,098</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.45: Cash and cash equivalents for shareholders' operations - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Cash in fund	-	-	-	-
Current accounts	8,953	23,033	100%	100%
Term deposits	-	-	-	-
<b>Total</b>	<b>8,953</b>	<b>26,033</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

## Cash and Cash Equivalents

**Table 6.46: Cash and cash equivalents for the insurance operations for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Cash in fund	3	5	7	0%	0%	0%
Current Accounts	10,395	15,645	2,617	100%	100%	100%
<b>Total</b>	<b>10,399</b>	<b>15,650</b>	<b>2,624</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.47: Cash and cash equivalents for insurance operations and comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Cash in fund	2	5	%0	%0
Current Accounts	12,848	421	%100	%100
<b>Total</b>	<b>12,850</b>	<b>426</b>	<b>%100</b>	<b>%100</b>

Source: Wafa Insurance

## Statutory Deposit

**Table 6.48: Statutory Deposit for 2011, 2012 and 2013, and a comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Statutory deposit	10,747	10,800	10,800	10,800	10,800
<b>Total</b>	<b>10,747</b>	<b>10,800</b>	<b>10,800</b>	<b>10,800</b>	<b>10,800</b>

Source: Wafa Insurance

The Company's total cash was, to great extend, on downward trend. It made an investment of SAR 30 million with Al Kair Capital, causing the decline of cash. Besides, it transferred some amounts from the shareholders' account into that of insurance operations during 2012 and 2013.

Based on the improved collection and increased written insurance premiums, the cash went up in 2012 and slightly down in 2013 as the Company settled its liabilities in cash, thus reducing the cash available.

The statutory reserves were primarily set by 10% of the minimum capital. Wafa Insurance has been authorized by SAMA to make investment in instruments with Riyadh Capital. The fair market value for instruments was SAR 10.7 million in 2011, SAR 10.8 million in 2012 and SAR 10.8 million in 2013.

As shown above in (Table 6.45: Cash and cash equivalents for shareholders' operations - Comparison between the First Halves of Fiscal Years 2013 and 2014), the cash for the shareholders' operations went considerably up within the first half of 2014 from SAR 8.953 million in the first half of 2013 to SAR 26.033 million in the first half of 2014, which is attributable to the Company's liquidation of some investments into cash for the maintenance of the solvency margin and to the profits of investments during the first half of 2013.

It is also noticeable that the cash of insurance operations sharply declined in the first half of 2014, compared to the same period of the previous year, because the company paid SAR 10 million to reinsurers and financed the acquisition of new investments at approximately SAR 5 million.



## Premiums and Insurance Balances Receivable

**Table 6.49: Premiums and Insurance Balances Receivable for 2011, 2012 and 2013 - comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Total insurance premiums receivable	44,304	58,084	51,041	50,983	58,447
Doubtful debts provision	-9,562	-8,062	-5,562	-8,062	-8,770
Net premiums receivable	34,741	50,022	45,452	42,920	49,677
Key Performance Indicators					
Gross written premiums	93,895	162,460	196,868	98,767	120,779
Premiums receivable/Gross written premiums	36.5%	30.8%	22.9%	%43	%41

Source: Wafa Insurance

The net premiums receivable rose up from SAR 34.7 million (of which 37% stands for written premiums) in 2011 to SAR 45.4 million (of which 23.1% stands for written premiums) in 2013, on account of the increase in the insurance contracts for the medical insurance and auto insurance operations.

In 2013, the premiums receivable from Wattad National Insurance Agency accounted for roughly 14.5% out of the total premiums receivable, i.e. approximately SAR 6.6 million.

Within the first half of 2014, the premiums receivable rose up to SAR 49.6 million against SAR 42.9 million in the first half of 2013, resulting from the rise in the written premiums in the first half of 2014.

It should be noted that Wattad Co. constitutes 14.5% of the total accounts receivable as of December 2013.

## Bad Debts Provision Account as of 31 December 2013

**Table 6.50: Bad Debts Provision Account as of 31 December 2013**

SAR Thousand	Not defaulted nor impaired	91-180 days	181-365 days	365 days or above	Total
Total insurance premiums receivable	30,547	3,611	10,788	6,067	51,014
Doubtable debts provision %	0%	15%	25%	75%	
Doubtable debts provision	-	541	2,697	4,550	7,789

Source: Wafa Insurance

On 1 January 2011 SAMA announced that the maturity date of the premiums receivable is the issuance date of policy. Furthermore, the provision for the doubtful premiums receivable must be entered into the balances with a maturity period longer than 90 days according to the ratio prescribed in the policy (Implementing Regulations).

The Company classifies the balances as "Past Due and Impaired" based on each separate event. All settled impairments are recorded in the insurance operations statement.

After the end of 2013, an amount of SAR 2.5 million was collected under the balances overdue for more than 365 days and for which allowance had been fully allocated in the financial statements for the 4th quarter of 2013. The allowance was then transferred based on the collection details up to the date of making the annual financial statements for 2013.

The accounts receivable include a big number of clients. They are recognized on the gross calculation without any privileges or returns for clients. The due from policyholders includes SAR 7.86 million within 2013 to be payable via brokers the Company are dealing with.

The Company allocated an additional provision of SAR 3.2 million during the first half of 2014 in consideration of doubtful receivables so that the Company may be able to cover any potential problem with the collection. Upon allocating an additional provision during the first half of 2014, the doubtful receivables provision rose up to SAR 8.8 million as of 30 June 2014.

**Table 6.51: Doubtful Debts Provision**

SAR Thousand	0-90 days	91-180 days	181-365 days	More than 365 days	Disputable or uncollectable	Total
Premiums receivable						
31 December 2011	11,002	11,516	17,029	4,757	-	44,304
31 December 2012	28,627	17,961	6,511	4,984	-	58,085
31 December 2013	30,547	3,611	10,788	6,067	-	51,014
Doubtful debts provision						
31 December 2011	-	-1,727	-4,257	-3,579	-	-9,563
31 December 2012	-	-2,694	-1,628	-3,741	-	-8,063
31 December 2013	-	-542	-2,697	-2,324	-	-5,563
30 June 2014	-	-1,180	-1,307	-3,078	-3,205	-8,770
Net premiums receivable						
31 December 2011	11,002	9,789	12,772	1,178	-	34,741
31 December 2012	28,627	15,267	4,883	1,243	-	50,021
31 December 2013	30,547	3,069	8,091	3,743	-	45,451
30 June 2014	37,956	6,686	3,922	1,113	-	49,677

Source: Audited Financial Statements and Management Analyses

In the middle of 2010, the SAMA released a circular emphasizing the obligation upon the insurance companies to calculate the doubtful debts provision according to the paragraph (d) of Article (69) of the Implementing Regulations to the Cooperative Insurance Companies Control Law, providing that: "The minimum provisions for doubtful debt shall be calculated according to the following:

d. Minimum allocations for doubtful debt shall be calculated according to the following:

1. 15% of total sums owed by the insured parties that are more than 90 days late.
2. 25% of total sums owed by insured parties that are more than 180 days late.
3. 75% total sums that are more than 360 days late.
4. 100% of disputed sums owed.

The circular provides that the premiums for the issued policies shall be due in full as from the date of insurance coverage not based on the dates of payment agreed with the insured parties. The Company has abided by this circular since the commencement of its operating activities by the middle of 2011 and made the calculations of the doubtful debts accordingly.

The doubtful debt provision declined by SAR 1.5 million as of 31 December 2012 in comparison with 31 December 2011, as result of the good follow-up of collections. Continuing on the same track, the doubtful debt provision was further on decrease by only SAR 2.5 million despite the increase of 20% in the written premiums. However, it underwent remarkable rise by SAR 3.2 as of 30 June 2014 as the Company allocated an additional provision for uncollectable debts.

It should be noted that the Company reversed an amount of SAR 2.5 million in the doubtful debts provision in 2013 in accordance with SAMA's requirements.

## Outstanding Claims and Reinsurance Share by Line of Business (excluding IBNR)

**Table 6.52: Outstanding claims and Reinsurance Share by Line of Business (excluding IBNR) for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	3,637	3,575	3,821	20%	14%	24.5%
Auto insurance	6,301	6,459	6,706	34%	25.5%	43%
Engineering insurance	1,502	578	975	8%	2%	6%
Property insurance	5,706	12,534	3,180	31%	50%	20%
Marine insurance	758	1,194	54	4%	5%	1.5%
General accidents and Liability	97	634	643	1%	2.5%	4%
Life insurance	333	333	200	2%	1%	1%
Total outstanding claims	18,334	25,307	15,579	100%	100%	100%
Medical insurance	2,372	2,145	2,297	%23.9	%13.7	%35.74
Auto insurance	-	-	-	-	-	-
Engineering Insurance	1,335	524	806	%13.4	%3.3	%12.4
Property insurance	5,253	11,145	2,650	%53	%71.5	%40.9
Marine insurance	606	955	43	%6.1	%6.3	%0.66
Public accidents and accountability	78	507	515	%1	%3.25	%7.9
Life insurance	266	305	160	%2.6	%1.95	%2.4
Reinsurance share of outstanding claims	9,910	15,581	6,471	100%	100%	100%

Source: Wafa Insurance

**Table 6.53: Outstanding claims and Reinsurance Share by Line of Business (excluding IBNR) - Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	2011
Medical insurance	4,631	5,442	%21.13	%25.68
Auto insurance	7,384	6,053	%32.5	%28.4
Engineering insurance	619	1,026	%2.7	%4.82
Property insurance	8,674	7,427	%38.2	%34.9
Marine insurance	551	355	%2.4	%1.7
General accidents and Liability	695	847	%3	%4
Life insurance	160	100	%0.7	%0.5
Total outstanding claims	22,715	21,251	100%	100%
Medical insurance	2,779	2,993	%24.92	%28.7
Auto insurance	-	-	-	-
Engineering Insurance	530	847	%4.7	%8
Property insurance	6,799	5,724	%60.9	%54.5
Marine insurance	432	251	%3.8	%2.4
Public accidents and accountability	487	594	%4.3	%5.7
Life insurance	132	80	%1.2	%0.7
Reinsurance share of outstanding claims	11,160	10,489	100%	100%

Source: Wafa Insurance

Property insurance line of business recorded the largest percentage of outstanding claims. It reached SAR 12.5 million in 2012, compared to SAR 5.7 million in 2011. Nevertheless, it had a downward leap to SAR 3.1 million in 2013 as the Company settled some claims of big scale and changed the underwriting policy for the property insurance line of business.

The outstanding claims for Marine Insurance considerably decreased to SAR 54 thousand in 2013, compared to SAR 1.1 million in 2012. This is attributable to the Company's settlement of underlying claims and to the lack of new claims during 2013.

For general accidents and liability, the outstanding claims had an upsurge during 2012 and 2013 in view of the increase in indemnities for medical errors by the official authorities up from SAR 100 thousand to SAR 300 thousand in the end of 2011.

For the medical insurance, the outstanding claims moderately rose up from SAR 3.6 million to SAR 3.8 million in 2013. The same applies to the outstanding claims for auto insurance that slightly rose up from SAR 6.3 million in 2011 to SAR 6.7 million in 2013 since the Company has suspended the insurance coverage for taxi cars and rental cars.

## Net IBNR Claims (by Line of Business)

**Table 6.54: Net IBNR Claims (by Line of Business) for 2011, 2012 and 2013**

SAR Thousand	2011	2012	2013	2011	2012	2013
Medical insurance	2,125	3,392	7,106	24%	33%	42%
Auto insurance	5,991	6,251	8,710	69%	60%	52%
Engineering insurance	73	57	172	1%	1%	1%
Property insurance	136	364	261	2%	3%	2%
Marine insurance	206	95	170	2%	1%	1%
General accidents and Liability	187	265	311	2%	3%	2%
Life insurance	-	-	-	-	-	-
<b>Total IBNR claims</b>	<b>8,718</b>	<b>10,424</b>	<b>16,730</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

**Table 6.55: Net IBNR Claims (by Line of Business) for 2011, 2012 and 2013 – Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	30 June 2013	30 June 2014	30 June 2013	30 June 2014
Medical insurance	3,025	7,106	%43.49	42%
Auto insurance	2,885	8,710	%41.3	52%
Engineering insurance	56	172	%0.8	1%
Property insurance	509	261	%7.2	2%
Marine insurance	149	170	%2.13	1%
General accidents and Liability	355	311	%5.08	2%
Life insurance	-	-	-	-
<b>Total IBNR claims</b>	<b>6,979</b>	<b>16,730</b>	<b>100%</b>	<b>100%</b>

Source: Wafa Insurance

The IBNR claims are calculated based on the multiplication of the net outstanding claims by the specific percentage defined for the line of business according to Article 60 of the SAMA's Implementing Regulations which define the minimum limit for reserves of IBNR claims based on the line of business. Later reserves are to be added based on the actuary's estimation.

Upon applying new instructions for SAMA by the actuary, the net claims significantly rose up in 2013 as an amount of SAR 6 million was allocated for the auto insurance and medical insurance.

The auto insurance recorded the highest net IBNR claims in 2013, amounting at SAR 8.7 million, i.e. 52% of the gross net of IBNR claims, against SAR 6.2 million in 2012, and followed by the medical insurance activity which recorded SAR 7.1 million in 2013 against SAR 3.3 million in 2012.

Other lines of business maintained a low provision out of the net IBNR claims due to the Company's focus on both auto insurance and medical insurance, in addition to the fixed growth rate in other insurance types. The net provision for IBNR claims was SAR 172 thousand for engineering insurance, SAR 261 thousand for property insurance, SAR 170 thousand for marine insurance and SAR 311 thousand for general accident insurance.

In the first half of 2014, the net provision for IBNR claims remained fixed, compared to the first half of 2014 when it highly rose up on account of new provisions given in 2013 according to the actuarial report.

## Related Parties Transactions

**Table 6.56: Related parties Transactions for 2011, 2012 and 2013**

Related Party	Nature of Transaction	Net transaction sum (SAR Thousand)			
		31 December 2011	31 December 2012	31 December 2013	30 June 2014
New India Insurance Co. Ltd (shareholder)	Other liabilities	-	10	9	-
New India Insurance Co. Ltd (shareholder)	Ceded premiums	1.545	1.132	155	781
New India Insurance Co. Ltd (shareholder)	Reinsurance commission	556	72	35	195
New India Insurance Co. Ltd (shareholder)	Reinsurers' share of outstanding claims	1.790	433	722	260
Members of the Board and Executive Committee	Remunerations	-	1.020	1.140	670
Members of the Board and Executive Committee	Allowance for session attendance	47	30	174	100

Source: Wafa Insurance

The transactions with the New Nadia Insurance Co. represent the value of premiums ceded under the reinsurance treaty with the Company. The ongoing transactions with Al Hokair Group, one of the Company's major shareholders, were conducted under insurance contracts in 2011 and 2011. The Al Hokair Group is no longer a major shareholder.

In 2011, the Company did not effect the payment of the Board members' remunerations when the latter released their right thereto. While the Company covered the payment of SAR 1.020 million for 2012 and SAR 1.140 million for 2013 as remunerations and benefits for the Board members.

## Statement of Changes in Shareholders' Equity

**Table 6.57: Changes in Shareholders' Equity for 2011, 2012 and 2013**

SAR Thousand	Capital	Accumulated losses	Total
Balance as of 1 January 2011	100,000	-46,784	
Net annual loss		-2,375	
Balance as of 31 December 2011	100,000	-49,160	50,839
Balance as of 1 January 2012	100,000	-49,160	51,124
Net annual loss		-15,965	-15,965
Balance as of 31 December 2012	100,000	-65,125	35,394
Balance as of 1 January 2013	100,000	-65,125	35,394
Net annual loss		-6,553	-6,553
The balance as of 31 December 2013	100,000	-71,678	29,480
Balance as of 1 January 2014	100,000	-71,678	29,480
Net annual loss for the first half of 2014		-1.660	-1.660
The balance as of 31 December 20134	100,000	-73.339	27.199

Source: Wafa Insurance

The Company's capital is SAR 100 million, distributed onto 10 million shares, SAR 10 per share.

In June 30 2014, the Company's shareholders' equity amounted to SAR 27.1 million due to the sequential losses sustained by the Company within the past years of 2011, 2012 and 2013.

The Company intends to increase its capital in 2014 for the following reasons:

- Covering its accumulated losses amounting to SAR 73.7 million as of 30 September 2014;
- Enhancing the financial solvency margin based on the requirements of SAMA implementing regulations;
- Leveraging its capability to accept premiums, most essentially the Companies' insurance premiums;
- Diversifying its cash to incorporate profitable investments.

## Cash Flow Statement (Policyholders and Shareholders)

**Table 6.58: Cash Flow Statement (Policyholders and Shareholders) for 2011, 2012 and 2013 and a Comparison between the First Halves of Fiscal Years 2013 and 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Insurance operations (policyholders)					
Net cash from operating activities	-2,375	10,574	-5,469	379	-9,784
Net cash (used in) investment activities	-300	-2,548	-298	-92	-188
net cash (used in) financing activities	500	5,000	515	-3,087	-
Cash in hand and cash at bank at the beginning of the year	4,801	2,624	15,650	15,650	10,399
Cash in hand and cash at bank at the end of the year	2,624	15,650	10,399	12,850	427
Shareholders					
Net cash from operating activities	649	94	854-	-570	8,544
Net cash (used in) investment activities	9,612	-11,514	-19,428	3,087	7,391
net cash (used in) financing activities	-500	-5,000	-515	-	-
Cash in hand and cash at bank at the beginning of the year	37,554	47,316	30,897	35,897	10,098
Cash in hand and cash at bank at the end of the year	47,316	30,897	10,098	8,952	26,033

Source: Wafa Insurance

The cash at bank for insurance operations remarkably increased in 2012 and 2013, in comparison with 2011 due to the improved collections and efficient production in 2012 and 2013. Due to the rise in claims paid in 2013, the cash at bank decreased to SAR 10 million against SAR 15.6 million in 2012.

The cash at bank from shareholders' operations were obviously on downward trend as the Company utilized the cash in new investments amounting to SAR 30 million with Al Khair Capital in 2013.

In the first half of 2014, there was a surge in cash in comparison with the corresponding period in 2013, rising up from 8.9 million in the first half of 2013 to SAR 26 million in the first half of 2014. This is justifiable in view of the Company's liquidation of some investments to maintain the solvency margin.

## Admitted Assets

### Admitted Assets – Total Assets

**Table 6.59: Admitted Assets – Total Assets for 2011, 2012 and 2013 and a comparison between the first half of 2013 and first half of 2014**

SAR Thousand	2011	2012	2013	30 June 2013	30 June 2014
Cash at bank	49,941	46,549	20,499	21,803	26,460
Insurance balances due within 90 days	13,769	28,627	30,547	20,752	37,956
Reinsurers' share of unearned premiums	13,041	29,019	36,519	32,547	46,932
Reinsurers' share of outstanding claims	14,844	24,653	20,706	20,723	24,722
Deferred policy acquisition costs	5,384	7,708	9,403	9,630	12,020
Prepayments and other assets	790	645	3,865	397	1,038
Property and equipment	586	473	397	400	482
Term deposits at banks	10,748	15,800	40,800	45,800	40,800
Financial institutions' bonds	7,926	14,136	14,204	14,181	5,500
Shares listed on Saudi Exchange	-	-	-	-	3,334
Other shares	1,585	3,545	3,789	1,923	1,923
Statutory reserves	-	-	-	-	-
<b>Total admitted assets of insurance operations</b>	<b>118,614</b>	<b>171,155</b>	<b>180,729</b>	<b>168,156</b>	<b>201,167</b>

Source: Wafa Insurance

In accordance with Article 65 (1) of SAMA Implementing Regulations, the asset valuation should not exceed the market value for the purpose of calculating the solvency margin. If the percentage out of the total asset is less than the admission factor, then 100% of the asset is deemed admissible.

In accordance with Article 65 (1) of SAMA Implementing Regulations, the maximum limit per asset category of total assets is 20%. Adjustments should be introduced manually by SAMA to reflect deductions that do not comply with the asset concentration regulatory limits and exceeding maximum asset category limit.

### Calculation of Solvency Margin

**Table 6.60: Calculation of Solvency Margin for the 12 months ending on 31 December 2012**

Premium Basis	Gross Written Premiums (GWP) (a)	Net Written Premiums (NWP) (b)	Retention rate (Min NWP/ GWP=50%) (c)	Class Risk Factor (d)	Required Solvency (e) = a*c*d
Medical insurance	121,807	66,437	54.5%	16%	10,631
Auto insurance	53,937	51,857	96.1%	20%	10,372
Engineering insurance	2,444	439	50%	30%	362
Property insurance	11,323	339	50%	16%	907
Marine insurance	3,749	760	50%	30%	562
General accidents and liability	2,648	1,419	53.6%	30%	426
Life insurance					195
	<b>195,908</b>	<b>121,251</b>			<b>23,455</b>

Source: Wafa Insurance

According to SAMA Implementing Regulations, the Company should maintain a solvency margin equivalent to the highest of the following three amounts: minimum capital requirement (SAR 100 million), premium solvency margin (amounting to SAR 23.4 million) and claims solvency margin (amounting to SAR 12.6 million). Therefore, the required solvency margin is SAR 100 million as of 31 December 2013.



## Solvency Analysis

**Table 6.61: Solvency Analysis**

SAR Thousand	As of 30 June 2014
Admitted assets	
Insurance operations (policyholders)	125,910
Shareholders' operations	75,257
Total admitted assets	201,167
Liabilities	
Insurance operations (policyholders)	191,926
Shareholders' operations	2,059
Net admitted assets	193,985
Insurance operations (policyholders)	(66,016)
Shareholders' operations	73,198
Total net admitted assets (a)	7,182
Required minimum solvency margin (b)	100,000
Excess (deficit) of net admitted assets over required minimum solvency margin	92,818
Solvency Margin Cover (a)/(b)	7.18%

Source: Wafa Insurance

The Company has a deficit of SAR 92.8 million of net admitted assets over the required minimum solvency margin as of 30 June 2014.

The margin cover (i.e. net admitted assets over the required minimum solvency margin divided by required minimum solvency margin) was 7.18% as of 30 June 2014. This is substantially less than the required minimum limit.

The Company is in the process of taking action to rectify this situation. The specific action that should be followed is described in Article 68 of SAMA Implementing Regulations (i.e. increase capital, adjust premiums, reduce costs, etc). The anticipated increase in capital is expected to enable the Company to enhance its solvency margin ratio and cover its accumulated losses.

## 7. Capitalism and Indebtedness

The Company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) divided into ten million (10,000,000) shares with a nominal value of SAR 10 per share. All shares are fully paid. The founding shareholders have subscribed to 60% of the total shares and the remaining 40% was subscribed by the public through IPO that took place in May 2007. No preferential rights or privileges have been granted to the founding or other shareholders.

**Table 7.1: Capitalism and Indebtedness**

Insurance Operations Liabilities	2013
Due to Reinsurers	9,492
Gross unearned premiums	95,452
Unearned Reinsurance Commission	1,192
Gross outstanding claims	49,767
Due payments, accrued expenses and other liabilities	16,890
Total Insurance Operations Liabilities	172,794
Shareholders' Liabilities	
Due Zakat and Payable Tax	1,915
Due to Related Parties	35,304
Other Liabilities	700
Total Shareholders' Liabilities	37,919
Shareholders' Equity	
Share capital	100,000
Change in fair value	1,159
Accumulated losses	(71,678)
Total Shareholders' Equity	29,480
Total Shareholders' Equity and Liabilities	67,339
Total Insurance Operations and Liabilities and Shareholders' Equity and Liabilities	240,193

Source: Wafa Insurance

The Company affirms that there is no instrument issued, existing or declared but not yet issued, or any term loans covered or not covered by either personal guarantee or a mortgage at the date of this Prospectus.

The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit or lease purchase obligations, which are covered or not covered by either personal guarantee or a mortgage at the date of this Prospectus.

There are no mortgages, rights or encumbrances on the properties of the Company at the date of this Prospectus. The Company has no contingent liabilities or guarantees at the date of this Prospectus. The Company's capital is not under option as of the date of this Prospectus. The Company's capital has not been changed since its incorporation and it has remained at SAR 100,000,000 (Establishment capital).

## 8. Dividend Distribution Policy

The Company's dividend policy is in compliance with the rules and regulations of the Cooperative Insurance Companies Control Law and rules of the Company's By-Laws approved by the General Assembly. Article (44) of the Company's By-Laws describes the Company's dividend policy as follows:

1. Zakat and prescribed income tax shall be withheld.
2. 20% of the net profits shall be set aside to form a statutory reserve. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches the entire paid-up capital.
3. The Ordinary General Assembly may, upon proposal of the Board of Directors, set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the General Assembly.
4. Part of the remaining balance shall be distributed to the shareholders as an initial payment, not less than 50% of the paid up capital.
5. The remaining shall be distributed among the shareholders as a share in the profits or transferred to the retained earnings account.
6. By a resolution of the Board of Director, periodic profits to be deducted from the annual profits referred herein above under paragraph 4 may be distributed in accordance with applicable rules and regulations issued by competent authorities.

Without prejudice to Paragraph (5) of Article 43 (First) of the Company's By-Laws which stipulates that 10% of the net surplus shall be directly distributed to the insured parties or that their premiums for the following year shall be deducted; and the remaining 90% shall be carried over to the shareholders' income account.

The Company has not yet paid any dividends to the shareholder due to the incurred financial losses. (Non availability of distributable profits).

## 9. Capital Structure

The Company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) divided into ten million (10,000,000) shares with a nominal value of SAR 10 per share. The founding shareholders have subscribed to six million (6,000,000) shares with a nominal value of SAR 10 per share and total value amounting to Sixty million Saudi Riyals (SAR 60,000,000), 60% of the capital and all of which are fully paid, and the remaining four million (4,000,000) shares with a nominal value of SAR 10 per share and total value of Forty million Saudi Riyals (SAR 40,000,000), representing 40% of the capital, was subscribed by the public through IPO that took place on 19-5-2007. No preferential rights or privileges have been granted to the founding or other shareholders.

**Table 9.1: Major Shareholders who own 5% and above**

Sr.	Shareholder	Shareholding (%)
1	Life Insurance Corporation of India	10.20
2	LIC International	10.20
3	New India Assurance Co. Ltd	10.60

Source: Wafa Insurance

SAMA's approval, under Letter No. 351000133768 dated 30-10-1435H (corresponding to 26-8-2014G), was obtained to increase the Company's share capital by one hundred five million Saudi Riyals (SAR 105,000,000) through a Rights Issue to be, upon the completion of subscription to new shares, SAR 205,000,000 divided into twenty million five hundred thousand (20,500,000) common shares with a nominal value of SAR 10 per share. The Company's Board of Directors, in its meeting held on 27-6-1435H (corresponding to 27-4-2014G), approved to increase the Company's capital for the purpose of increasing the Company's solvency. On 19/06/1436H (corresponding to 08/04/2015G) the Extraordinary General Assembly approved the Board of Director's recommendation to increase the share capital of the Company as indicated, and the participation will be limited to the registered shareholders at the close of trading on the day of the Extraordinary General Assembly meeting ("Eligibility Date").

## 10. Description of Shares

### 10.1 Share Capital

The share capital of the Company is one hundred million Saudi Riyals (SAR 100,000,000) divided into ten million (10,000,000) shares at a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary cash shares.

The founding shareholders subscribed to six million (6,000,000) shares, representing 60% of the share capital. The remaining four million (4,000,000) shares, equaling 40%, were offered for public subscription through IPO.

### 10.2 Capital Increase

Having verified the economic feasibility and obtaining the competent authorities' approval, the General Assembly may adopt a resolution to increase the Company's capital once or several times with new shares having the same nominal value of the original shares, provided that the original shares have been paid in full and subject to the requirements of the Cooperative Insurance Companies Control Law, Companies Law and Capital Market Law. The said resolution shall specify the mode of increasing the capital. (To review the Rights Issue mechanism, kindly refer to the requirements and instructions of subscription sectioned "19.1: Subscription in the Rights Issue shares").

### 10.3 Capital Decrease

The Extraordinary General Assembly may decide to reduce the capital of the Company, after having obtained the competent authorities' approval, if its capital exceeds the Company's requirements or if the Company has sustained losses. Such decisions can only be made after reading the auditors' report outlining the necessitating grounds, the liabilities of the Company, and the impact of decrease on such liabilities. The decision shall specify how the decrease is to be carried out. If the reduction in capital is the result of the capital being in excess of the Company's needs, its creditors should be invited to submit their objections. Creditor's objections should be raised within sixty days from the date of publishing the decision to reduce the capital in a daily newspaper published in the city of the Company's head office. Should a creditor objects and submits documentary evidence to the Company within the set time, the Company shall pay his dues or provide him with an adequate guarantee to settle deferred debts.

### 10.4 Shares

The Company's shares are all tradable in accordance with the rules and regulations issued by SAMA. As exception to this, the shares subscribed by the founding shareholders will not be tradable prior to releasing the financial statements of two full fiscal years of no less than 12 months each, from the date of incorporation. This is also applicable to any shares subscribed by the shareholders for increase of capital before the end of the restriction period. However, these shares may be transferred to any other founding shareholder or the Company's director in order to be granted as qualification shares or transfer from the owner heirs to others in case of death.

### 10.5 Shareholders' Equity

A shareholder shall have all rights incidental to the share, in particular, the right to have a share of distributable dividends, the right to claim a portion of the Company's assets upon dissolution, the right to attend shareholders' assemblies, engage in their deliberations and vote on their resolutions, and the right to dispose of shares, the right to have access to the Company's books and papers, monitor the business of the Board of Directors, file a liability claim against the Board of Directors members and challenge the validity of the resolutions by the shareholders' assemblies, subject to the conditions and limitations set forth in the Companies Law. According to the Companies Law, no provision grants the joint-stock company's shareholders the right to claim recovery or repurchase of their share by the company.

### 10.6 Voting Rights

Each shareholder holding twenty (20) shares and more will have the right to attend and vote at the General Assembly, in person or through a representative. A shareholder may delegate another shareholder, other than the members of the Board of Directors, to attend the General Assembly on his behalf. Each share has only one vote in the General Assembly meetings, provided that in case of voting of the appointment of the Board of Directors members, votes shall be sorted out based on the cumulative voting system.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or decrease of the capital, the

extension of the Company's term or its dissolution before the expiry of its fixed term mentioned under its By-laws, or the Company's merger into another company or establishment (subject to approval of SAMA). In such cases, the resolution is valid only if it has been passed by the majority vote of three quarters ( $\frac{3}{4}$ ) of the shares represented at the meeting.

Each shareholder shall have the right to discuss the topics enlisted on the agenda of the General Assemblies, and raise questions to such effect to the Board of Directors members and auditor. The Board of Directors or auditor shall answer the shareholders' questions to the extent not detrimental to the Company's interest. If the shareholders feel the answer given is inconvincible, they may refer to the General Assembly. The General Assembly's decision shall be effective and binding.

## 10.7 Shareholders' Assemblies

The General Assembly duly constituted shall be deemed to represent all the shareholders, and shall be held in the city where the Company's head office is located. The Shareholders' General Assemblies may be ordinary or extraordinary. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Other Ordinary General Assemblies may be convened whenever necessary. The Board of Directors may call the General Assembly to convene in response to a request to do so from auditors or a number of shareholders owning at least 5% of the Company's capital. If the Board of Directors fails to call the General Assembly to convene within one month from the date set for its meeting, the Department of Companies at the Ministry of Commerce and Industry shall be entitled to call the General Assembly to convene in response to a request of shareholders with at least 2% ownership of the bank capital or based on a decision by the Minister of Commerce.

The Extraordinary General Assembly shall be empowered to amend the Company's By-Laws to the extent not affecting the provisions that are not permitted to be amended under law. It shall have the power to adopt resolutions concerning the matters falling within the ambit of the Ordinary General Assembly under the latter's terms and conditions. A notice of the date and agenda of the General Assembly shall be published in the official gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty five (25) days prior to the time set for such meeting.

The meeting of the Ordinary General Assembly may not have the required quorum unless attended by shareholders holding at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, an invitation should be sent for a second meeting to be held within thirty (30) days following the previous meeting. The invitation shall be announced in the manner stipulated in Article 88 of the Companies Law. The second meeting shall be valid, irrespective of the number of shares represented therein.

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by shareholders representing at least 50% of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within thirty (30) days. The second meeting shall be deemed valid if attended by a number of shareholders representing at least one quarter of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Director, or a representative designated by him if he is absent. The Chairman shall appoint a secretary for the meeting and a vote counter. Minutes of the General Assembly shall be drawn up containing the names of the shareholders present or represented, the number of shares held by them in person or by proxy, the number of votes incidental to such shares, the resolutions passed, the numbers of votes in favor and against, and a detailed summary of the discussion that took place at the General Assembly. The minutes shall be regularly drawn up after each meeting in a special book to be signed by the General Assembly's chairman, secretary and vote counter.

## 10.8 Company's Term

The Company's term shall be ninety nine (99) Gregorian years as from the date of issuing the decision declaring its incorporation by the Minister of Commerce and Industry. Having secured the approval from SAMA and Capital Market Authority, it shall always be permissible to extend the Company's duration by virtue of a resolution made by the Extraordinary General assembly at least one year prior to the expiry of its term.

## 10.9 Dissolution and Winding-up of the Company

Upon the expiry of the Company's term or if it is dissolved prior to the time set for the expiry of its term, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees.

The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are appointed. The Company's organs shall continue to have their competencies to the extent not conflicting with the liquidators' functions. Upon liquidation, the subscribers' rights in excess amounts of insurance operations and reserves made in accordance with the Company's By-Laws shall be taken into consideration.



## 11. Using the Proceeds of Offering

### 11.1 Net Proceeds of the Offering

The total proceeds from the Rights Issue Offering are estimated at one hundred five million Saudi Riyals (SAR 105,000,000) of which five million Saudi Riyals (SAR 5,000,000) shall be paid to cover the expenses and fees of the Rights Issue in connection with the financial advisor, legal advisor, Lead Manager, Underwriter, marketing expenses, printing and Receiving Agents expenses and other Offering related expenses.

The net proceeds of the Offering are hence expected to be one hundred million Saudi Riyals (SAR 100,000,000) to be mainly directed to the fulfillment of the requirements of solvency margin. The shareholders will not receive any proceeds yielded from the Offering.

### 11.2 Use of the Offering Proceeds

Insurance Companies in the Kingdom of Saudi Arabia practice their business in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations as amended by SAMA from time to time.

The above Law stipulates that an insurance company shall maintain a Minimum Solvency Margin that is not less than the following three amounts:

- Minimum Capital Requirement
- Premium Solvency Margin
- Claims Solvency Margin

An insurance company needs to maintain the net admitted assets at a minimum of the above mention solvency margin. This requirement translates into a necessity to maintain a minimum Solvency Margin Cover (net admitted assets divided by Minimum Solvency Margin) of 100%.

**Table 11.1: Company's Solvency Margin Cover as of 30 June 2014**

Item	SAR million
Minimum Capital Requirement	100,000
Premium Solvency Margin	31,189
Claims Solvency Margin	3,738
Minimum Solvency Margin	100,000
Net admitted assets	7,185
Solvency Margin Cover (%)	7.185%

Source: Wafa Insurance

Hence, the Company currently needs to inject additional share capital in order to maintain its minimum Solvency Margin Cover of 100% as per SAMA requirements.

In addition, the Company targets to maintain a higher Solvency Margin Cover of 117% as recommended by the Company's actuary. The net proceeds of the Offering of about SAR 100,000,000 are proposed to be used to enhance the net admitted assets and solvency margin cover.

**Table 11.2: Company's Solvency Margin**

As of 31 December	2014	2015	2016	2017	2018
Minimum Capital Requirement	100,000	100,000	100,000	100,000	100,000
Premium Solvency Margin	29,615	35,064	43,144	53,103	63,585
Claims Solvency Margin	20,439	23,492	25,380	30,629	37,586
Minimum Solvency Margin	100,000	100,000	100,000	100,000	100,000
Before Offering					
Net admitted assets	4,305	17,380	33,707	56,930	86,447
Solvency Margin Cover (%)	4%	17%	33%	56%	86%

As of 31 December	2014	2015	2016	2017	2018
After Offering					
Proceeds	105,000				
Net admitted assets	109,305	122,370	138,707	161,930	191,447
Solvency Margin Cover (%)	109%	122%	138%	161%	191%

In compliance with Paragraph (c) of Article 30 of the Listing Rules, the Company will submit a quarterly report on the use of the proceeds of the Rights Issue Offering and declare developments of use of proceeds to public investors, institutions and individuals.

### Proposed Investment Plan (2015):

In compliance with the Cooperative Insurance Companies Control Law, the statutory deposit shall represent 10% of the paid-up capital and the Company will retain SAR 10.50 million as a statutory deposit after increase of the paid-up capital.

The Company intends to use the net proceeds (after deducting the statutory deposit and offering expenses) for increasing the capital directly after the end of Offering in investment according to the investment vessels applied by the Cooperative Insurance Companies Control Law. The investment amount is estimated to be SAR 89.5 million. The investment portfolio will include cash, short-term investment of (50%), securities and long term investments of (35%) and shares and investment vessels (15%).

**Table 11.3: Details of the Use of the Offering Proceeds**

Description	SAR million
Statutory Deposit	10.50
Offering-Related Expenses	5
Investments*	89.50
<b>Total Offering Proceeds</b>	<b>105</b>

Source: Wafa Insurance

\* Please refer to the proposed investment structure in Table 11.4 below.

**Table 11.4: Proposed Investment Structure**

Description	SAR millions
Investment in short-term Portfolios (50%)	44.75
Investment in Securities and Long-term Investment (35%)	31.33
Investment in Equities and other investment vessels (20%)	13.42
<b>Total investments</b>	<b>89.50</b>

Source: Wafa Insurance

## 12. Experts' Reports

A written consent has individually been obtained from the financial advisor, legal advisor, external auditors, due professional care consultant and actuary in order to enlist their names, notices and reports in the format set forth in this Prospectus. Such consents have not been withdrawn until the date of making this Prospectus. Further, none of the above-mentioned persons, their subordinates or relatives has any share or interest of whatever kind in connection with the Company.

## 13. Declarations

- As of the date of this Prospectus, the Board members, CEO, senior executives and secretary of the Board declare that:
- There has been no interruption in the Company's business that may influence or have a significant impact on its financial situation during the last twelve months;
- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company within the last three years immediately preceding the date of submitting the listing application and acceptance thereof in connection with the issuance or offering of any securities;
- There has been no material adverse change in the financial or trading position of the Company within the last three years immediately preceding the date of submitting the listing application and acceptance thereof, as well as the period covered by the external auditor's report up to the date of approval of this Prospectus;
- Notwithstanding the content under the Section "15-6 Legal Information - Brief of Material Contract Agreements - "Contracts with Related Parties"- Page 133 of this Prospectus, the Board members or their relatives may not have any share or interest of whatever kind in the Company;
- None of the Board of Directors members, senior management officers or secretary of the Board with an administrative or supervisory post has been subject to any insolvency during the Company's last five years. Also, none of the Board of Directors members has been declared bankrupt;
- Notwithstanding the disclosure contained in "Contracts with Related Parties" under the section titled "Legal Information" herein, there is no contract or whatever arrangement in effect or contemplated at the time of development of this Prospectus whereby any of the Board of Directors members, senior executives or relatives thereof gain some interest in the Company's business.
- The audited financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and audited in conformity with SOCPA-approved accounting standards. The Board of Directors declares that all information was fairly disclosed.
- The Company does not grant any cash loan or collaterals to loan for any of its Board of Directors members and a third party in compliance with Article 71 of the Companies Law.
- Notwithstanding the disclosure contained in the section "Legal Information" herein, there is no any debt instrument or encumbrances up to the date of this Prospectus and neither the Company's assets are under option;
- Not engaging into a competition against the Company's business nor dealing with the related parties;
- The Company strictly complies with Article 69 and 70 of the Companies Law and relevant provisions, particularly Article 18, of the Corporate Governance Regulations;
- The Company's constitutional documents and governing regulations do not grant any power enabling a Director, CEO or CFO to vote on a contract or proposal in which they or any of their relatives have a personal interest, or enabling them to vote remuneration to themselves or allowing their relatives to borrow from the Company;
- There is no intention to make any fundamental change in the nature of the Company's activity existing since its formation. The Company is under control of a management not fundamentally changed in its entirety and most eligible in terms of knowledge and due expertise for the management of Company's works;
- The Board of Directors members declare that the Company for the time being has no business activity outside the Kingdom of Saudi Arabia;
- There are no policies pursued or critical information in relation to research and development of new products and production processes applied along the last fiscal years immediately preceding the date of this Prospectus. Currently, there is no existing or proposed contracts of work for the Board of Directors members as of the date of this Prospectus;
- The Board of Directors members declare that there is no amendments to the Company's capital by increase or decrease within the last three years immediately after the date of submitting the listing application and acceptance of the Right issue shares recognition; and
- The Board of Directors declares that, as of the date of this Prospectus, the Company is not affiliated to a group of companies, to exercise any business outside the Kingdom of Saudi Arabia.

## **Directors' declarations related to the financial statements**

Section (6) of this Prospectus, "The management's discussion and analysis of the Company's financial position and results of its operations" was prepared by the Company's management and approved by its Board of Directors. The Board of Directors members declare that there is no change of material impact on the financial statements and future forecasts as of the date of this Prospectus.

The Board of Directors is fully responsible for the accuracy and credibility of financial information and analyses, and confirms it has taken all required measures and procedures and made full and fair discourses. There is no information or other papers whose omission may cause these financial data and information to be misleading in any way.

## 14. Company's By-Laws in Brief

The Company's By-Laws contain a provision to the effect set out below. This brief should not be relied upon in place of the full By-Laws which are available for review at the Company's head office. There are many procedures that require SAMA's approval, including but not limited to increase or decrease of capital, distribution of dividends and transfer of founding shareholders' shares, merger with other company, company liquidation and appointment of directors.

### **Incorporation**

The Company was incorporated in accordance with the Cooperative Insurance Companies Control Law, Companies Law, their Implementing Regulations and these By-Laws as a Saudi joint stock company among the holders of shares according to the rules hereinafter stipulated.

### **Name of the Company:**

Saudi Indian for Cooperative Insurance "WAFA Insurance" (On 9-4-2012, the Extraordinary General Assembly has approved the amendment of Article 2 of the By-Laws relating to the Company's name.

### **Purposes of the Company:**

The performance of the cooperative insurance business and all related activities, such as reinsurance, agencies, representation, communication and brokerage in accordance with laws and rules applicable in the Kingdom of Saudi Arabia.

### **Holding shares in other Companies**

The Company may hold shares in, have some interest with, extend any form of cooperation with, merge or gain acquisition of, bodies having similar business, financial aspects or which support the Company in fulfilling its purpose. The Company exercise all the works provided herein inside or outside the Kingdom.

### **Head Office:**

The Company's head office is located in the city of Riyadh

### **Duration of the Company**

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of the Ministerial Resolution of Minister of Commerce and Industry declaring its incorporation. The term of the Company may be extended by a resolution adopted by an Extraordinary General Meeting at least one (1) year prior to the expiration of the Company's term.

### **Share Capital of the Company :**

The share capital of the Company is one hundred million Saudi Riyals (SAR 100,000,000), divided into 10,000,000 (ten million) equal Shares, each with a nominal value of SAR 10 (ten Saudi Royals).

### **Decrease of the Capital**

The Extraordinary General Assembly may decide to reduce the capital of the Company, after having obtained the competent authorities' approval, if its capital exceeds the Company's requirements or if the Company has sustained losses. Such decisions can only be taken after reading the auditors' report outlining the reasons for such a decision, the liabilities of the Company, and the impact of decrease on such liabilities. The decision shall specify how the reduction is to be carried out.

If the reduction in capital is the result of the capital being in excess of the Company's needs, its creditors should be invited to submit their objections. Creditor's objections should be raised within sixty days from the date of publishing the decision to reduce the capital in a daily newspaper published in the city of the Company's head office. Should a creditor objects and submits documentary evidence to the Company within the set time, the Company shall pay his dues or provide him with an adequate guarantee to settle deferred debts.

## Trading of Shares

The Company's shares are all tradable in accordance with the rules and regulations issued by SAMA. As exception to this, the shares subscribed by the founding shareholders will not be tradable prior to releasing the financial statements of two full fiscal years with not less than 12 months each from the date of incorporation. This will also be applicable to any shares subscribed by the shareholders for increase of capital before the end of the restriction period. However, these shares may be transferred to any other founding shareholder or the Company's director in order to be granted as qualification shares or transfer from the owner heirs to others in case of death.

## Board of Directors:

The Company shall be managed by a Board of Directors consisting of nine (9) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. The Board's first tenure shall be extendable for three years as from the date of issuance of the Ministerial resolution declaring the Company's incorporation.

Unless the SAMA's approval is obtained, the Company may enter into agreements for the management of technical service with one or more eligible insurance companies.

## Board of Directors Vacancy

The Board membership shall be terminated upon the expiry of its term or if a Board member quits or dies, or is dismissed or deprived from their rights in compliance with any applicable laws or rules or upon having the General Assembly's approval. If the office of the Board member becomes vacant, the Board may appoint a member to fill the vacancy, provided that such appointment shall be effected before the first session of the next Ordinary General Assembly. The term of the office of the new member appointed to fill a vacancy shall only extend to the term of his predecessor. If the number of the Board members does attain the quorum needed for its meeting to be valid, the Ordinary General Assembly must be convened as soon as possible to appoint the required number of Directors.

## Powers of the Board of Directors

Subject to the powers reserved for the Ordinary General Assembly, the Board of Directors shall have the widest powers in managing the affairs of the Company. The Board may, within the limits of its authority, delegate to one or more of its members or to non-members the power of performing specific missions.

## Remuneration of Board of Directors:

The remunerations of the Chairman of the Board of Directors for performing his duties shall be one hundred eighty thousand Saudi Riyals (SAR 180,000) per annum. The remunerations for each member of the Board for performing their respective duties shall be one hundred twenty thousand Saudi Riyals (SAR 120,000) per annum. The Chairman and each member of the Board shall be paid three thousand Saudi Riyals (SAR 3,000) for attending each Board meeting and a sum of one thousand five hundred Saudi Riyals (SAR 1,500) for attending each meeting of the Executive Committee. The Company shall also pay the Chairman and members of the Board of Directors all actual expenses they incur to attend the Board or the Executive Committee meetings, including travel, residence and accommodation expenses. In all cases, the total amount paid to the Chairman and members of the Board may not exceed 5% of the net profits.

## Chairman, Managing Director and Secretary:

The Board shall appoint one of its members as Chairman, and may appoint a Managing Director for amongst its members. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company and implement the Board resolutions. The Chairman shall represent the Company before third parties and courts. The Chairman or Managing Director shall have the right to delegate work or specific mission to other persons. The Managing Director shall be responsible for the executive management of the Company. The Board shall appoint a secretary. The Board may also appoint advisors in different affairs and define their remunerations.

## Board of Directors' Meetings:

The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene such meeting by two members of the Board. The Board's meeting may not have a quorum unless attended by at least two thirds of the members, provided that the number of Board members present in person are not less than four. The Board of Directors can hold meetings at least four times per fiscal year, provided that the interval between the meetings may not exceed four months.

The Board's resolutions shall issued unanimously. In case of disagreement, they shall be passed by at least



two-thirds of the majority vote of the members present or represented. The Board resolutions may be issued by members' voting by circulation. Any member of the Board of Director who has a direct or indirect interest in any matter in question, he shall notify the Board or the Executive Committee to that effect. Unless the consent of SAMA is obtained, the Board members may not enter into insurance agreements with the company in which they have an interest.

### **Board of Directors Meetings' Minutes:**

The Board's deliberations and resolutions shall be documented in minutes to be signed by the Chairman and the secretary, and shall be kept in a special record to be signed by the same.

### **Audit Committee:**

Subject to approval of SAMA, Minister of Commerce, and CMA, the Board of Director shall form a committee consisting of at least three (3) members and at most five (5) members out of the Company's executive directors and majority of its members are not a Board of Directors members.

### **Executive Committee:**

The Board of Directors shall form an executive committee consisting of not less than three (3) and not more than five (5) members. The executive committee's meeting shall be chaired by the chairman who will be appointed by the members of the executive committee from amongst themselves. The tenure of the executive membership shall be the same as that of the Board; and the Board shall fill the vacancy in the executive committee.

### **Shareholders' General Assemblies:**

The ordinary or extraordinary general assembly represents all shareholders and shall be held in the city where the Company's head office is located. Each shareholder holding twenty (20) or more shares shall have the right to attend the ordinary or extraordinary general assembly, and each shareholder may authorize another shareholder other than the members of the Board of Directors or officials of the Company to attend the general assembly on his behalf.

### **Ordinary General Assembly:**

The meeting of the Ordinary General Assembly may not be deemed valid unless attended by shareholders representing at least 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a notice for a second meeting shall be circulated for convention within the following thirty (30) days of the previous meeting. The second meeting shall be deemed valid, irrespective of the number of shares represented.

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

### **Extraordinary General Assembly:**

The meeting of the Extraordinary General Assembly may not be deemed valid unless attended by shareholders representing at least fifty (50%) of the Company's authorized capital. If such quorum is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered valid if attended by a number of shareholders representing at one-quarter of the Company's capital.

### **Resolutions of the General Assemblies:**

Resolutions of the Ordinary General Assembly shall be made only by an absolute majority vote of the share represented therein. Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or decrease of the capital, the merger into another company or establishment, the extension of the duration of the Company, or shutdown of the Company. In such cases, the resolution may not be considered valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

The Extraordinary General Assembly shall be empowered to amend the Company's By-Laws (except for the provisions that are not permitted to be amended by the applicable laws). It shall have the power to adopt resolutions concerning the matters falling within the ambit of the ordinary general assembly within the terms and conditions prescribed for the latter.

### **Auditor:**

The general assembly shall appoint 2 (two) auditors annually from amongst the auditors licensed to work in the Kingdom. The auditors' remuneration shall be fixed by the general assembly that may further reappoint the same auditors.

The auditor shall be entitled to have an access to the Company's books and registers as well as other documents at any time, ask for any data or clarifications whenever seen necessary and verify the Company's assets and liabilities.

The auditor shall submit an annual report to the general assembly showing the situation of the Company's management concerning the availability of data and clarifications he asks for, any violations of the Companies Law or the Company's By-Laws that he may discover, while making a declaration as to the accuracy of the Company's accounts data.

### **Fiscal Year:**

The fiscal year of the Company shall start on 1 January and end on 31 December of the same year. However, the first fiscal year of the Company shall commence on the date of the ministerial resolution declaring its incorporation and shall end on 31 December of the following year.

### **Distribution of Profits**

The net annual profits shall be distributed as follows:

1. Zakat and income tax allocations shall be set aside;
2. 20% of the net profits shall be set aside to form a statutory reserve;
3. The Ordinary General Assembly may set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for a specific purpose decided by the Ordinary General Assembly;
4. An initial payment of the balance not less than 5% of the paid-up capital shall be paid to the shareholders;
5. The balance shall be distributed among the shareholders as a share in the profits or transferred to the retained earning account.
6. By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in the paragraph 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

### **Company's Losses:**

If the total of the Company's losses amount to three-quarters of its capital, the Directors shall call an Extraordinary General Assembly to consider whether the Company shall continue to exist or dissolve prior to the expiry of its term. In all cases, the Assembly's resolution shall be published in the Official Gazette.

### **Dissolution and Winding up of the Company:**

The Company shall be terminated by the end of its term set in accordance with these By-Laws or the Companies Law. Upon the expiry of the Company's term and if it is dissolved prior to the time set for the expiry of its term, the Extraordinary General Assembly shall, based on a proposal by the Board, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees Under a resolution. The powers of the Board shall cease upon the expiry of the Company's term. However, the Board shall remain responsible for the management of the Company until the liquidator is appointed. The Company's departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidator.

### **Legislation:**

In every matter not specifically stipulated herein, the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law and the Capital Market Authority law and its Implementing Regulations shall apply.

## 15. Legal Information

### 15.1 Incorporation of the Company and licenses and permits to practice

In accordance with Article (3) of the Cooperative Insurance Companies Control Law, Wafa Insurance Co. was established under the Royal Decree No. (M/60) issued on 18-09-1427H (corresponding to 11-10-2006G), the Cabinet's Resolution No. 233 dated 16/09/1427H (corresponding to 9-10-2006G), the SGIA License No. (1020230317013) dated 26-1-1426H (corresponding to 7-3-2005G), and SAMA License No. (TMN/14/20086) dated 6-6-1429H (corresponding to 10-6-2008G). Thereupon, WAFA has been licensed to practice the insurance business encompassing the key insurance services provided by the Company in the Kingdom as follows: (1) General Insurance, (2) Medical Insurance and (3) Protection and Saving. The Company works under and as per the Cooperative Insurance Companies Control Law and its Implementing Regulations together with the laws and rules applicable in the Kingdom under the supervision of SAMA. It was registered as a Saudi public joint stock company under the commercial register number 1010236705 issued from Riyadh on 24/7/1428H (corresponding to 7/8/2007G).

The Company obtained all the required licenses to practice in accordance with the applicable and prevailing laws as follows:

**Table 15.1: Licenses Obtained by the Company to Engage in its Business under the Applicable Laws**

Licenses and Approvals	Purpose	License No.	Date of Issue	Date of Expiry	Issued by
License to practice Insurance activity	To exercise the business of general insurance, medical insurance and protection and saving	TMN/14/20086	6/6/1429H (10/6/2008G)	4/6/1438H (3/3/2017G)	SAMA
Foreign Investor's service License	To exercise the business of insurance	10202330317013	26-1-1426H (7/3/2005G)	25-3-1436H (16-1-2015G)	SGIA
Commercial Registration	The Company's entry into the Commercial Register (Joint stock companies)	1010236705	24/7/1428H (7/8/2007G)	24/7/1437H (1/5/2016G)	Ministry of Commerce/ Commercial Registration Office
Cooperative Health Insurance Council (Company's Eligibility)	To exercise the cooperative health insurance operations	112	13-8-1435H (11-6-2014G)	12-8-1436H (30-5-2015G)	Council of Cooperative Health Insurance
Approval of offering insurance products	Final approval of marketing and offering the comprehensive insurance policy for private cars and commercial cars together with compulsory insurance policy on cars	341000062919	19-5-1434H (31-3-2012G)		SAMA
Approval of offering insurance products	Extension of the interim approval for marketing and offering four of the Company's insurance products: (1) Insurance policy for medical errors, (2) Insurance policy for medical facilities, (3) Insurance policy for general liability and liability for machinery, and (4) Insurance policy for international travel	351000143204	21-11-1435H (16-9/2014G)	20-5-1436H (11-3-2015G)	SAMA

Licenses and Approvals	Purpose	License No.	Date of Issue	Date of Expiry	Issued by
Approval of offering insurance products	Final approval of marketing and offering insurance policy for workers compensation	IS/2111	16-11-1431H (24-10-2010G)		SAMA
Approval of offering insurance products	Final approval of marketing and offering insurance policy for quitting a job	IS/1824	18-10-1431H (27-9-2010G)		SAMA
Approval of offering insurance products	Final approval of marketing and offering: 1) Insurance policy for all risks of contractors, 2) Insurance policy for all risks of construction/ installation, 3) Insurance policy for malfunctions of machinery, 4) Insurance for the contractors' factories and equipment, and (5) Insurance policy for electronic appliances	IS/363	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval of marketing and offering: 1) Insurance policy for marine cargo (Open Coverage), 2) Insurance policy for land-carried goods (open coverage), 3) Insurance policy for marine cargo (One Cargo), and 4) Insurance policy for land-carried goods (One Cargo).	IS/364	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval of marketing and offering personal accidents insurance policy (for individuals or groups)	IS/362	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval of marketing and offering money insurance policy	IS/361	10-2-1429H 17-2-2008G		SAMA
Approval of offering insurance products	Final approval of marketing and offering insurance policy for the general responsibility	IS/359	10-2-1429H 17-2-2008G		SAMA
Approval of offering insurance products	Final approval for marketing and offering insurance policy against theft	IS/358	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval for marketing and offering insurance policy for fidelity	IS/357	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval for marketing and offering medical insurance policy	IS/357	10-2-1429H (17-2-2008G)		SAMA

Licenses and Approvals	Purpose	License No.	Date of Issue	Date of Expiry	Issued by
Approval of offering insurance products	Final approval for marketing and offering property insurance policy including: 1) Insurance policy against property damage, 2) Insurance policy against fire, (3) Insurance policy against fire (residential)	IS/356	10-2-1429H (17-2-2008G)		SAMA
Approval of offering insurance products	Final approval for marketing and offering insurance policy for groups protection	IS/2093	15-11-1431H (23-10-2010G)		SAMA
Approval of offering insurance products	Final approval for marketing and offering the following insurance policies for protection and saving: 1) Cash back programs, 2) Child assistance program, 3) Life Insurance (Double Coverage Program) 4) Protection Program, 5) Refunding program and long-term life protection program, and 6) Life insurance (Participating Program)	IS/487	15-3-1431H (1-3-2010G)		SAMA
Restricted Certificate (invalid for cashing the final accruals)	As an statement that the Company submitted its annual declaration for the period ending in 31-12-2012 and met its obligation as to the payment of Zakat	9005	14-10-1435H (10-8-2014G)	11-7-1436H (30-4-2015G)	Department of Zakat and Income Tax
Certificate of employees registration at the Pension and Hazards branches (for Saudi Nationals) and Occupational Hazards (for Non Saudis)	The Company's adherence to GOSI's rules	17079893	17-9-1435H (14-7-2014G)	17-3-1436H (8-1-2015G)	GOSI
Certificate of membership of the Chamber of Commerce and Industry	The Company's observance of the commercial registration rules which make an obligation upon the companies to join the chambers of commerce and industry.	101000184583	1-1-2014	31-12-2014	Chamber of Commerce and Industry
License to engage into business	License of the Company's head office issued by the high municipality	1282	11-1-1435H (14-11-2013G)	11-1-1438H (12-10-2016G)	Ministry of Municipal and Rural Affairs

Source: Legal Report

## 15.2 The Company's Branch Offices

Having obtained the approval from SAMA under the letter No. (27049/2T/1144) dated 2-8-1429H (3-8-2008G), the Company has two branches in the cities of Al Khobar and Jeddah.

**Table 15.2: Details of Company's Branches in Al Khobar and Jeddah**

Sr.	Office	Address	Commercial Registration No.	Date of Issue	Date of Expiry
1	* Jeddah Branch	Abu Bakr As-sddiq Rd, District of Al Sharafia - Al Khayyat Tower	4030199026	8-4-1431H (24-3-2010G)	8-4-1436H (28-1-2015G)
2	Al Khobar Branch	Al Amir Turkey (Cornish) Al Khalig Mall	2051039742	19-4-1430H (15-4-2009G)	22-4-1435H (22-2-2014G)

Source: Legal Report

\* Regarding Jeddah Branch, the commercial register was not updated to reflect the name of the new branch manager and the Certificate of Membership to the Chamber of Commerce and Industry for 2014 was not obtained. As for Al Khobar Branch, the commercial register was not renewed as it requires approval of the SAGIA, which is process. The approval is expected to be obtained, and the commercial registers to be renewed within the first quarter of 2015.

## 15.3 Leasing Contracts

The leased premises inside the Kingdom are distributed as follows:

- One (1) leasing contract in the Central Region,
- Three (3) leasing contracts in the Eastern Region,
- One (1) leasing contract in the Western Region.

Majority of these contracts are of conventional type, stipulating the rental to be annually paid by the Company to the lessor, renewable and deemed invalid if the lessee is in default on rental payment and has no right to subcontract without written consent from the lessor. It shall also be impermissible to change the business field without the lessor's approval.

The leasing contracts are summed up as follows:

**Table 15.3: Leasing Contracts in Brief**

Sr.	Date of Signature	Lessor	Term	Rate (SAR)	Notes
1	30-6-2013	Al Faisal Holding Groups	One Hijri year and eleven months starting from 20-8-1434H (corresponding to 29-6-2013G), and expiring on 19-7-1436H (corresponding to 8-5-2015G). Its renewal is conditional on the lessor's consent	2,683,333	
2	4-12-2007	Bathel Al Khair Establishment for Trading and Real Estates	One Gregorian year effective from 4-12-2007 and ending on 3-12-2008. Not automatically renewed without the lessor's written consent thirty days before the contract's expiry	75,735	Renewed on 3-12-2013 Up to 3-12-2014
3	15-6-2013	Bathel Al Khair Establishment for Trading and Real Estates	One Gregorian year starting from 15-6-2013 and ending on 14-6-2014. Not automatically renewed without the lessor's written consent thirty days before the contract's expiry	72,762	Renewed on 14-6-2014 Up to 14-6-2015
4	3-11-2013	Bathel Al Khair Establishment for Trading and Real Estates	One Gregorian year starting from 3-11-2013 and ending on 2-11-2014. Not automatically renewed without the lessor's written consent thirty days before the contract's expiry	61,200	The Company is acting on renewing this contract

Sr.	Date of Signature	Lessor	Term	Rate (SAR)	Notes
5	2-11-1433H (18-9-2012G)	Ahmed Taha Khayyat	Three Gregorian years starting from 1-12-2012 and ending on 1-12-2015.  Not automatically renewed. The lessor has the right to terminate the contract before its term by a two-month prior written notice	110,000	

Source: Legal Report

## 15.4 Capital Structure

The Company's share capital is one hundred million Saudi Riyals (SAR 100,000,000) divided into ten million (10,000,000) common shares, with a nominal value of SAR 10 per share. All shares are fully paid. The founding shareholders have subscribed to six million shares, i.e. 60% of the total shares. The remaining 40% was offered through IPO in May 2007. All shares offered by the individuals have been covered.

## 15.5 Members of the Board of Directors

The incumbent Board of Directors for the third round starting from 11-7-2013 and ending on 10-7-2016 has been appointed and comprises the following directors:

**Table 15.4: Members of the Board of Directors**

Sr.	Name	Position	Nation-ality	Age	Qualification Shares	Direct Qualification Shares	Indirect Qualification Shares	Member Capacity		Representing / Name of Representative	Date of Membership
								Independancy	Exective/non-executive		
1	Saleh Bin Abdullah Bin Saleh Al Hanaki	Chairman	Saudi	42	315	315	-	Independant	Non-executive	-	6-2-2011
2	Mohamed Bin Abdullah Bin Mohamed Al A'refi	Director	Saudi	51	500	500	-	Independant	Non-executive	-	26-3-2011
3	Majed Bin Abdullah Bin Hamad Al Hoqail	Director	Saudi	47	20	20	-	Independant	Non-executive	-	26-3-2011
4	Fuad Bin Abdullah Bin Al Rahman Al Rashed	Director	Saudi	44	70	70	-	Independant	Non-executive	-	17-7-2013
5	Yasser Bin Faisal Bin Yahia Al Sherif	Director	Saudi	41	237	237	-	Independant	Non-executive	-	17-7-2013
6	* Saleh Bin Abdul Aziz Bin Abdullah Al Sabeel	Director	Saudi	66	280	280	-	Independant	Non-executive	-	10-10-2011
7	**	Director	-	-	-	-	-	-	-	-	-
8	***	Director	-	-	-	-	-	-	-	-	-
9	****	Director	-	-	-	-	-	-	-	-	-

Source: Wafa Insurance

\* For the Director Saleh Al Sabeel, he tendered his resignation from the Company's CEO post but he remains as a Board director.

\*\* The Director Soshhuban Sarkar was appointed as a representative of the Indian Life Insurance Co. on 12-5-2012 and resigned on 1-6-2014

\*\*\* The Director Rampehdran Sredhran Pillay was appointed as a representative of the New Indian Assurance Ltd on 20-3-2012 and resigned on 13-7-2014

\*\*\*\* The Director Samuhdran Ramsamy was appointed as a representative of the LIC International Ltd on 6-12-2012 and resigned on 1-7-2014

- The appointment of new directors requires SAMA's approval (it is expected that new directors are to be appointed within the first quarter of 2015).
- Majority of the Board directors have qualification shares less than the minimum limit according to the Companies Law. The Company is now acting to make the amendments to such effect and it is likely to be effected within the first quarter of 2015.
- The reason beyond the resignation of three directors is due to their regulatory retirement from the companies reporting to the Indian government they represent in the Board of Directors.



The Company has abided by Article (12) of the Corporate Governance Regulations in connection with the required criteria for the Board formation, more particularly the compulsory paragraphs (c, e). Furthermore, the Company meets the requirements of Corporate Governance Regulations for the Board formation. Majority of directors are non executives and six of the Board directors are independent. The qualifying shares must be allocated for the five independent directors referred to in the above table according to the applicable law. The entity/portfolio providing the qualifying shares for the independent members must be identified. Based on the above table, the Company is compliant with the provisions of Article 68 of the Companies Law regarding the qualifying shares.

According to Article (21) of the By-Laws, the Board shall be convened in the head office of the Company in response to an invitation by its chairman and whenever requested to convene by two directors. The invitation must be documented in a way specified by the Board. The Board may meet outside the Company's premises, provided that it shall meet at least four (4) times a fiscal year. However, the interval between the meetings may not exceed four months. Based on the Company's Board of Directors meeting minutes for the years of 2011, 2012 and 2013, the Company abides by its By-Laws in terms of the quorum and voting. The following table indicates the Company's observance to its By-Laws in terms of the number of meetings:

**Table 15.5: Number of the Board of Directors' Meetings for 2011, 2012 and 2013**

Administrative Entity	Number of meetings held in 2011	Number of meetings held in 2012	Number of meetings held in 2013
Board of Directors	6 meetings	5 meetings	5 meetings

Source: Wafa Insurance

## 15.6 Major Contacts in Brief

### Insurance claim settlement contract with GlobeMed Saudi

**Parties:** The Company has concluded an insurance claim settlement contract with GlobeMed Saudi on 9-10-1428H (Corresponding to 20-10-2007G).

**Validity:** This contract shall be one Gregorian year starting from 20-10-2007 and automatically renewed unless either party notifies the other of his intent not to renew the contract three months before the expiry of the original contract term, or any later renewal period. This contract is still effective between both parties up to the date of this Prospectus.

**Services Provided:** Under and as per this contract, GlobeMed Saudi shall secure a network of services for the Company and its customers, issue approvals or rejection of the customers' insurance claims, receipt of invoices and verify the compatibility thereof with the Company's tariff and being within the coverage limits agreed with each customer. The Company shall provide training services for the Company's staff and IT technical support services within working hours. The Company shall thus have the right to use some networks of GlobeMed Saudi systems and programs.

**Price:** GlobeMed Saudi shall have, in consideration of the services provided to the Company, the right to the following:

- For the first year: 6% of the gross premiums collected by the Company from each customer;
- For the following years: (1) 6.30% of the gross premiums collected by the Company from each customer, (2) 9.90% of the gross premiums for each insured, a person or family, besides the value changes in the insurance policy by adding new person.

**Applicable Law:** This contract shall be construed in accordance with the applicable laws in the Kingdom of Saudi Arabia; and any dispute that may arise between both parties shall be settled via arbitration.

1. **Insurance agency agreement:** the Company signed two insurance agency agreements with two professional companies in this field to represent the Company in marketing and selling insurance policies in its favor or on its behalf to persons and businesses. The insurance agents shall have a commission of percentages provided in the regulations in connection with the insurance brokers and agents, ranging from 8% to 15% depending on the insurance types/products sold. The commission are calculated based on the premiums only. No commission on the expenditures shall be paid. Hereinafter, the details concerning two insurance agency agreements included by the Company: exclusive insurance agency agreement with Wattad National Insurance Agency Ltd. The said agreement is effective from 15-10-1433H (corresponding to 1-9-2012G) and ending on 17-11-1436H (corresponding to 31/8/2015G). The Wattad National Insurance Agency Ltd represents the Company in marketing and selling insurance policies, specifically, car and medical insurance policies and other insurance products in its favor or on its behalf to persons and businesses. Under such agreement, it shall have the right to use the Company's logo and trademark.

Wattad National Insurance Agency Ltd. shall receive insurance claims and papers, and issue, collect and deliver the receipts to the Company. This agreement shall be construed in accordance with the applicable laws in the Kingdom of Saudi Arabia.

2. Non-exclusive Insurance agency agreement with the Gulf insurance and reinsurance brokers (GIB). This agreement is effective from 11-8-1433H (1-7-2012G) and ending on 3-9-1435H (30-6-2014G). In case of ongoing dealing with the relevant parties, the agreement shall be automatically renewed for one extra year with the same conditions and terms.

The GIB shall be the Company's representative in marketing and selling insurance policies in its favor or on its behalf to persons and businesses. This agreement shall be construed in accordance with the applicable laws in the Kingdom of Saudi Arabia.

## Reinsurance Contracts

The Company has concluded a number of reinsurance contracts covering its own activities with reinsurance companies with different exceptions based on the product subject matter of each contract. As follows is a list of reinsurance contracts concluded by the Company:

1. Reinsurance contract concluded with Bahrain-based Hannover Retakaful BSC for covering marine cargo products written by the Company, including the reinsurance on the perils of goods transport and delivery from one place to another. It shall be effective from 29-2-1435H (1-1-2014G) and remain so till either party informs the other of his intent to terminate the contract three months before the date of renewal.
2. Reinsurance contract concluded with the Bahrain-based Hannover Retakaful BSC for covering the total Company's liabilities and losses. The coverage includes the insurance policies written by the Company in relation to the insurance for cars, physical injury to a third party in the ambit of personal car accidents, general responsibility towards a third party, workers' compensations - responsibility of employers, insurance against medical occupational errors, and civil responsibility and product insurance, provided that reinsurance extends to all perils covered in consistence with the Sharia. This contract shall be effective as from 29-2-1435H (corresponding to 1-1-2014G) and end in 10-3-1436H (31-12-2014G).
3. Reinsurance contract concluded with the Bahrain-based Hannover Retakaful BSC for covering the total Company's liabilities and excess of losses generated from the insurance against fire, engineering insurance and insurance against marine transport accidents for insured goods and commodities. This contract shall be effective from 29-2-1435H (corresponding to 1-1-2014G) and end on 10-3-1436H (31-12-2014G).
4. Reinsurance contract concluded with the Bahrain-based Hannover Retakaful BSC for covering the Company's excess of losses generated from the insurance products against fire, engineering insurance and different accidents as written by the Company. It divides into three axes: (1) Fire: all properties only insured in direct manner by the Company, including robbery in concomitant with fire accidents, quitting a job. (2) Engineering Insurance: covered by the Company including risks of contractors, machinery breakdowns and all perils of installation, equipment, boilers or pressure vessels, storage loss and all losses resulted from the discontinuation of machinery. (3) Differed accidents: burglary, cash money during its transport one place into another and fidelity. It shall be effective from 29-2-1435H (1-1-2014) and remain so till either party informs the other of his intent to terminate the contract 3 months before the beginning of each year.
5. Reinsurance contract concluded with the Bahrain-based Hannover Retakaful BSC for covering the medical insurance products written by the Company. The coverage includes the reinsurance of the medical expenses for persons and groups (accidents and diseases), hospital clinic treatment expenses and moving of corpses. It shall be effective from 29-2-1434H (1-1-2013G) and remain so till either party informs the other of his intent to terminate the contract three months before the beginning of each year.
6. The reinsurance contract with the General Insurance Corporation of India (GIC) for covering the excess of losses stemming from the damage inflicted upon the insurance products written by the Company. The coverage includes a comprehensive auto insurance, a comprehensive auto insurance against a third party's liability, auto insurance for a third party's liability, a personal responsibility towards a third party, workers' compensation insurance, employers' responsibility, insurance against medical occupational errors (100 policies), civil responsibility and product insurance, provided that all risks covered reinsurance shall be in compliance with Sharia. This contract shall be effective from 19-2-1434H (corresponding to 1-1-2013G) and remains applicable till its termination by either party.
7. The reinsurance contract with the General Insurance Corporation of India (GIC) for covering the risks stemming from the Company's total liabilities and losses in connection with marine shipping and insurance of vessel chassis and vessel cargo by sea, by land transit or by air . It also covers material damage and losses of yachts. This contract shall be effective as from 18-8-1429H (corresponding to 20-8-2008G) and remains applicable till its termination by either party.
8. The reinsurance contract with the General Insurance Corporation of India (GIC) for covering different accidents including risks and perils generated from the Company's total liabilities and losses under its coverage for the personal accident-related risks (persons and groups), home burglary and house breaking,

luggage, transport of monies, safe locked monies, glasses, infidelity, comprehensive insurance on bank instruments, jewelry and travel insurance. This contract shall be effective from 18-8-1429H (corresponding to 20-8-2008G) and remains applicable till its termination by either party.

9. The reinsurance contract with the General Insurance Corporation of India (GIC) for covering the risks and perils generated from the Company's total liabilities and losses under its coverage for fire risks. This contract shall be effective as from 18-8-1429H (corresponding to 20-8-2008G) and remains applicable till its termination by either party.

## **Contracts with Related Parties**

### **Insurance contracts with members of the Board of Directors**

Up to the date of 11-5-2014, the auto insurance contracts concluded by the Company with some members of the Board of Directors are totaled at forty three thousand one hundred and thirty one Saudi Riyals (SAR 43,131 ) as follows:

- The Company and the Chairman of the Board of Directors: Saleh Bin Abdullah Bin Saleh Al Hanaki (insurance policy of SAR 9,343 in value valid until 25-11-2014),
- The Company and Director Mohamed Bin Abdullah Bin Mohamed Al A'refi (insurance policy of SAR 30,105 in value valid until 18-2-2015),
- The Company and Director Saleh Bin Abdul Aziz Bin Abdullah Al Sabeel (two insurance policies of SAR 3,683 in value valid until 29-1-2015).

The minutes of the ninth General Assembly meeting held on 11-5-2014 (after a second call to convene) show that the voting on these contracts was done in absence of those having interests in such contracts. The Company declares that other members of the Board of Directors or their relatives have no direct or indirect interest in the Company. No contract with other related parties has been concluded, inclusive of issuance of insurance policies covering their business and properties.

The Company abided further by Article (47) of the Insurance Market Code of Conduct Regulations whereby no insurance policy shall be issued or renewed by an insurance company to any of its owners or members of its Board of Directors, senior and executive managers, and their related parties except after the payment of the full premium. Related parties shall be taken to mean close family members, wives, husbands, children, parents, brothers and sisters, and any establishment in which any member of the Board of Directors has more than 5% interest. Additionally, the Company abides by Article (49) whereby it may not be allowable to issue or renew any insurance policy for any member of the Board of Directors, the executive management or related parties thereof except after the payment of the full premium. If any member of the Board of Directors or its executive officers submit a request that a compensation for the insurance policy issued in their favors by the Company be paid, this request should be dealt in line with the procedures set forth in the regulations applied to other customers' request with no preferential treatment together with notifying the regulatory auditor of any compensation paid by any of them. The Company declares its abidance by the Implementing Regulations, Companies Law, and Corporate Governance Regulations in relation to the related party contracts. These contracts contain the same conditions and terms applied upon the customers with no difference between the above-mentioned insurance policies and those offered by the Companies for its customers. The Company stresses its abidance with the Insurance Market Code of Conduct Regulations issued by SAMA.

- **Actuarial services contract with Nitaq Actuarial Company**

On 1-5-2014, the Company concluded an actuarial service contract for one Gregorian year with Nitaq Actuarial Company against an amount of five hundred and forty thousand Saudi Riyals (SAR 540,000), including the submittal of annual financial reports, annual pricing report (cars) and annual pricing report (medical).

If preparing other pricing reports is requested by the Company, fees will be increased; noting that the contract is renewable unless either party notifies the other of his intent not to renew ninety (90) days prior to the expiry of the Contract's period. The Contract shall be subject to Saudi laws and Saudi courts shall have competence in case of any dispute between the contracting parties.

The Company obtained a "No objection certificate" from SAMA allowing the designation of Nitaq Actuarial Services Co. under Letter No. 351000008122 dated 17-1-1435H (corresponding to 20-11-2013G). It was disclosed to SAMA and the General Assembly concerning the relationship of the Chairman of Board of Directors with Nitaq in application with the Companies Law and the regulations and instructions issued by SAMA and CMA.

The Company is in abidance by Articles (69 and 70) of the Companies Law and Article (18) of the Corporate Governance Regulations with regard to the disclosure by the members of the Board of Directors of their personal interests in transactions and contracts made in favor of the Company and not participating in voting on the decision issued to such effect.

## Advisory Agreements

The Company concluded a number of advisory agreements as follows:

1. Agreements to provide accounting services signed on 7-4-2013 between WAFA and Ernest & Young (Certified Accountants and Consultants) in consideration of annual fees of three hundred thousand Saudi Riyals (300,000). The agreement is expired and an approximate period is defined for the completion of work within 8 months as from the signature date of agreement. The agreement is still enforceable since the completion of all services agreed on is still in process. The Company did not sign any new contract with the internal auditor.
2. An agreement to appoint the auditor in KPMG Al Fozan & Al Sadhan Office signed on 12-6-2014 for auditing the financial statements of the fiscal year ending in 2014, and quarterly-made financial statements including the first quarter of 2015 against three hundred thousand Saudi Riyals (SAR 300,000) as fees.
3. On 13-7-1433H (2-6-2012G), WAFA concluded an agreement with Sharia Review Bureau undertaking the Sharia-compliant audit and control in connection with the Company's activities and transactions to ensure their compliance with the Sharia restrictions against fees of sixty five thousand Saudi Riyals (SAR 65,000). The contract term is two years starting from the signature date (2-6-2012G) and automatically renewed to same period unless either party shows his intent not to renew one month prior to the date of expiry.

The Company affirms that there is no conflict of interests with all consultants appointed and that no direct or indirect interest the shareholders or the executive officers have in these advisory companies to extent that may prejudice the impartiality of the professional opinion to be provided to the Company.

## Information Technology Agreements

The Company has an independent IT-specialized department and entered into a number of contracts in relation to the computer programs and IT, notably: on 2-4-2012 the Company concluded a contract with ESKADENIA Software Co. for buying computer programs, securing support services, and licensing and maintenance of ESKADENIA Software against three million four hundred thousand six hundred seventy five Saudi Riyals (SAR 3,468,675). The term of this contract is linked to the implementation of all of its agreed stages. Thus, it expires upon full completion of all contractual stages. As of the date of this Prospectus, the first stage was executed and the second one is in process. On 28-5-2012 the Company signed a contract with the Saudi Telecom Company for management, storage and protection of electronic data and supplying the Company with the required equipment and programs against nineteen thousand Saudi Riyals (SAR 19,000), with a reference to the potential additional expenses if the Company needs some extra services defined in the contract. The term of this contract extends to three Gregorian years starting from the date of effectiveness note, being a document to be signed by both parties to confirm that the installation of services is conformant with the standards of admissibility tests conducted at the Saudi Telecom's Data Center in Jeddah. It is automatically renewable for two successive years, unless either party notifies the other party of his intent to renew in writing three months prior to the expiry of the contract term.

## 15.7 Disputes and Litigations

Except for the hereinafter mentioned lawsuits, the Company declares that it is not a party to any lawsuit or claim, arbitration or administrative actions collectively or individually, instituted or expected to be instituted, which would essentially affect its business or financial position. The lawsuits are classified in terms of the subject matter and status at the time of preparing this report as follows:

The lawsuits instituted against the Company for claiming compensations to be paid by the Company for the car damage, divided into four sectors:

**Firstly: Compensations for the car damage resulted from traffic accidents and in which a challengeable preliminary decision against the Company was issued:**

**Table 15.6: Compensations for the car damage resulted from traffic accidents and in which a challengeable preliminary decision against the Company was issued**

Sr.	Plaintiff	Date of accident	Amount	Judicial Body	Current Status of Lawsuit
1	Abdulaziz Bin Saad Bin Abdulaziz Al Shabanat	18-5-1434H (29-3-2013G)	Fifty three thousand eight hundred sixty Saudi Riyals (SAR 53,860 )	Committee for Settlement of Disputes and Insurance Violations - Riyadh Committee	The Company filed an appeal on 9-5-1435H (2-7-2014G) The appeal was enrolled under No. 1350114. The claim is still pending before the Appeal Committee.
2	Yahia Bin Ali Bin Khalifa Al Jafar	12-12-1434H (17-10-2013G)	Forty seven thousand three hundred ninety five Saudi Riyals (SAR 47,395)	Committee for Settlement of Disputes and Insurance Violations - Dammam Committee	The Company filed an appeal on 27-6-1435H (2-7-2014G) The appeal was enrolled under No. 3350162. The claim is still pending before the Appeal Committee
3	Khalid bin Abdullah bin Abdulaziz Ababtain	10-8-1434H (19-6-2013G)	Thirteen thousand sixty Saudi Riyals (SAR 13,060)	Committee for Settlement of Disputes and Insurance Violations - Riyadh Committee	The Company filed an appeal on 24-6-1435H (24-4-2014G) The appeal was enrolled under No. 1350160. The claim is still pending before the Appeal Committee
4	El Mofteh for Car Rental	18-6-1433H (9-5-2012G)	Ten thousand eight hundred twenty Saudi Riyals (SAR 10,820)	Committee for Settlement of Disputes and Insurance Violations - Dammam Committee	The Company filed an appeal on 10-1-1434H (23-11-2012G) The appeal was enrolled under No. 3340002. The claim is still pending before the Appeal Committee

Source: Wafa Insurance

## Secondly: Compensations for the car damage resulting from traffic accidents and in which a final decision against the Company was issued

**Table 15.7: Compensations for the car damage resulted from traffic accidents and in which a final decision was issued**

Sr.	Plaintiff	Date of Accident	Amount	Judicial Body	Current Status of lawsuit
1	Ahmed Abdul Aziz bin Abdullah Al Qattei	18-8-1433H (8-7-2012G)	Five thousand five hundred Saudi Riyals (SAR 5,500)	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
2	Hassan Mohamed Hassan Al Shahrani	11-3-1433H (3-2-2012G)	Sixteen thousand Saudi Riyals (SAR 16,000)	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
3	Saad Bin Falah Bin Hamed Al Qahtani	7-7-1434H (17-5-2013G)	Twenty thousand Saudi Riyals (SAR 20,000)	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
4	Abdul-Rahman Amer Saleh Al Karbi	24-8-1433H (14-7-2012G)	Nineteen thousand ninety seven Saudi Riyals (19,097 )	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
5	Fahd Obaid Farhan Al Shamri	4-10-1434H (11-8-2013G)	Ten thousand Saudi Riyals (SAR 10,000)	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
6	Morsi Bin Saad Eldin Bin Morsi Adu Bakr	21-8-1433H (11-7-2012G)	Six thousand two hundred fifty one Saudi Riyals (SAR 6,251)	Committee for Settlement of Insurance-Related Disputes and Violations - Dammam Committee	The settlement was made by payment of the same claimed amount
7	Abduallah bin Saleh bin Maslat el-Shalawy	10-9-1434H (18-7-2013G)	One thousand six hundred fourteen (SAR 1,614	Committee for Settlement of Insurance-Related Disputes and Violations - Riyadh Committee	The settlement was made by payment of the same claimed amount
8	Mostafa Bin Said Bin Hussein Al Sharfa	24-11-1434H (30-9-2013G)	Four thousand eight hundred thirty eight Saudi Riyals (SAR 4,838)	Committee for Settlement of Insurance-Related Disputes and Violations - Dammam Committee	The settlement was made by payment of the same claimed amount
9	Hamed Bin Saleh Bin Hammad Al Mosha'an	12-6-1434H (22-4-2013G)	Thirty four thousand five hundred Saudi Riyals (SAR 34,500)	Committee for Settlement of Insurance-Related Disputes and Violations - Dammam Committee	The settlement was made by payment of the same claimed amount
10	Fahad Bin Begad Bin Muhamed Al Qahtani	9-7-1434H (19-5-2013G)	Seven thousand one hundred twenty Saudi Riyals, and eighty Halalas (SAR 7,124.80)	Committee for Settlement of Insurance-Related Disputes and Violations - Dammam Committee	The settlement was made by payment of the same claimed amount
11	Mostafa Fuad Bin Al Maden	20-7-1434H (30-5-2013G)	Nine thousand two hundred seventy eight Saudi Riyals (SAR 9,278)	Committee for Settlement of Insurance-Related Disputes and Violations - Dammam Committee	The settlement was made by payment of the same claimed amount



Sr.	Plaintiff	Date of Accident	Amount	Judicial Body	Current Status of lawsuit
12	Gaza Al Otaibi Transport Est.	3-1-1435H (7-11-2013G)	One hundred seventy eight thousand, nine hundred seventy five Saudi Riyals (SAR 178,975)	Committee for Settlement of Insurance-Related Disputes and Violations	The settlement was made by payment SAR 53,540
13	Falwah Mousa Hamdan Al Qahtani	30-7-1434H (9-6-2013G)	Three hundred thirty eight thousand six hundred Saudi Riyals (SAR 338,600)	Committee for Settlement of Insurance-Related Disputes and Violations	The settlement was made by payment of SAR 93,950
14	Hassan Mohamed Said Al Obaidi	1-6-1432H (4-5-2011G)	Twenty five thousand Saudi Riyals (SAR 25,000)	Appellate Committee for Settlement of Insurance-Related Disputes and Violations – Riyadh Committee	The settlement was made by payment of SAR 8,350

Source: Wafa Insurance

### Thirdly: Compensations for the car damage resulting from traffic accidents and in which no decision has been issued

**Table 15.8: Compensations for the car damage resulted from traffic accidents and in which no decision has been issued.**

Sr.	Plaintiff	Date of accident	Amount	Judicial Body	Current Status of lawsuit
1	Skeikha Hamed Al Juaydi	15-10-1435H (22-8-2014G)	One hundred twenty thousand sixty hundred ninety Saudi Riyals (SAR 120,690)	Committee for Settlement of Insurance-Related Disputes and Violations - Jeddah Committee	Proceedings are still pending before the Committee for Settlement of Insurance-Related Disputes and Violations

Source: Wafa Insurance

### Fourthly: Compensations for the car damage resulting from rain downfalls and in which a challengeable preliminary decision against the Company was issued

**Table 15.9: Compensations for the car damage resulting from rain downfalls and in which a challengeable preliminary decision against the Company was issued**

Sr.	Plaintiff	Date of accident	Amount	Judicial Body	Current Status of lawsuit
1	Consulate General of India	11-3-1432H (14-2-2011)	One hundred thousand Saudi Riyals (SAR 100,00)	Committee for Settlement of Insurance-Related Disputes and Violations - Jeddah Committee	The Company appealed on 17-3-1434H (28-1-2013G) The appeal was enrolled under No. 2340070. The claim is still pending before Appeal Committee.

Source: Wafa Insurance



The lawsuits filed against the Company regarding claiming the medical insurance cost from the company are divided into two sections:

**First: Compensations for surgeries and treatment resulting from traffic accidents, for which an appealable Primary decision was issued against the Company.**

**Table 15.10: Compensations for surgeries and treatment resulting from traffic accidents, for which an appealable first-instance decision was issued against the Company**

No.	Plaintiff	Date of Incident	Amount	Judicial Body	Current Status of Lawsuit
1.	Osama «Ashour «Abdul Aziz Bekheet	12/09/1433H Corresponding to 31/07/2012G	SAR 28,422 Twenty eight thousand four hundred and twenty two Saudi Riyal	Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company appealed on 17/03/1434H corresponding to 28/01/2013G. The appeal was enrolled under No. 3340069 and the claim is still pending before the Appellate Committee.

Source: Wafa Insurance

**Second: Compensation for the medical treatment cost according to the medical insurance policy, for which an appealable Primary decision was issued against the Company.**

**Table 15.11: Compensation for the medical treatment cost according to the medical insurance policy, for which an appealable decision was issued against the Company**

No.	Plaintiff	Date of Incident	Amount	Judicial Body	Current Status of Lawsuit
1.	Farrah bint Ahmad bin «Awad Al- Qahtani	14/02/1435 AH Corresponding to 18/12/2013G	SAR 31,000 Thirty one thousand Saudi Riyal	Committee for Settlement of Disputes and Insurance Violations Dammam Committee	The Company appealed on 19/04/1435 AH corresponding to 19/02/2014G. The appeal was enrolled under No. 3340069 and the claim is still pending before the Appellate Committee.
2.	Qurraishy Mohammad Nayab Zifar	20/03/1435 AH Corresponding to 21/01/2014G	SAR 2,000,000 Two million Saudi Riyal	Committee for Settlement of Disputes and Insurance Violations	The Decision was made in the favor of the Company to dismiss the lawsuit. Mr. Qurraishy Zifar appealed the primary decision on 13/11/1435 AH corresponding to 07/09/2014G. The appeal was enrolled under No. 2350248. The claim is still pending before the Appellate Committee.

Source: Wafa Insurance

**Table 15.12: Compensations for robbery and fire, an appealable decision was issued**

No.	Plaintiff	Date of Incident	Amount	Judicial Body	Current Status of Lawsuit
1.	Mansour Mohammad Hassan Al-Sabr Trading Center	14/12/1431H Corresponding to 10/11/2010 AD	SAR 15,000 Fifteen thousand Saudi Riyal	Committee for Settlement of Disputes and Insurance Violations Jeddah Committee	The Decision was made in favor of the Company to dismiss the lawsuit. Mansour Mohammad Hassan Al-Sabr Trading Center appealed the primary decision on 03/04/1433H corresponding to 25/02/2012G. The appeal was enrolled under No. 2330105. The claim is still pending before the Appeals Committee.

Source: Wafa Insurance

## 15.8 Intangible Assets

### The Trademark:

On 13/06/1434H (corresponding to 23/04/2013G), the Company registered its own trademark under category (36) insurance services; the trademark is (a drawing of what looks like a shield in both blue and green colors). The ownership of the Company's trademark is registered under the Trademark Registration Certificate No. (88/1423) issued by the Ministry of Commerce for a period of ten (10) years from 09/02/1434H (corresponding to 22/12/2012G) to 08/02/1444H (corresponding to 04/09/2022G). It is renewable for a similar period(s) upon the request of the Company during the last year of the term of protection and the following six months, according to the provisions of the Trademarks Law and its Implementing Regulations. The Company also depends on the name and logo chosen thereby to identify its identity and contribute greatly to the success of its work and support its competitive position in the market. Therefore, the Company's failure to protect its intangible assets, i.e. its trademark, or the Company's failure to obtain approval from the Ministry of Commerce and Industry regarding trademark registration, or in some cases, the need to take necessary legal action for the protection of its trademark may adversely affect the Company's trademark and may make doing business more expensive and thus has a negative impact on the profits of the Company. The Company declares that it has no intangible assets other than its trademark.

## 16. Underwriting

### 16.1 Name and Address of The Underwriter

The Company entered into an agreement to cover the subscription with the underwriter Falcom Financial Services. Under this agreement, the Underwriter undertakes to subscribe to (10,500,000) ten million, five hundred thousand common shares at a price of ten (10) Saudi Riyals per share, representing all the Rights Issue offered for subscription.

#### Falcom Financial Services Company

FALCOM فالكم



Riyadh – Olaya Street

PO Box 884, Riyadh 11421

Kingdom of Saudi Arabia

Tel: 8004298888

Fax: +966 11 2054831

Website: [www.falcom.com.sa](http://www.falcom.com.sa)

E-mail: [moath.alkhasawneh@falcom.com.sa](mailto:moath.alkhasawneh@falcom.com.sa)

### 16.2 Basic Conditions of the Underwriting Agreement

The terms and conditions set forth in the subscription underwriting agreement states the following:

- A. The Company undertakes to the underwriter that, in the date of allocation, shall issue and allocate to the underwriter all Rights Issue to be underwritten in this subscription that have not been subscribed to by eligible shareholders as additional shares, which shall be at the Offer Price;
- B. The underwriter undertakes to the Company that is shall, at the date of allocation, buy the Rights Issue that were not subscribed to, if any, based on the Offer Price; and
- C. The underwriter shall receive a financial consideration in return of its underwriting, which represents a specific percentage of the total subscription proceeds.

## 17. Expenses

The projected value of the total offering proceeds is 105,000,000 one hundred five million Saudi Riyals, of which about 5,000,000 five million Saudi Riyal shall be paid as expenses and costs incurred for the issuance, which include the fees of the financial adviser and the legal adviser for the offering, the professional care adviser, media and public relations adviser as well as underwriting expenses, receiving agents, marketing and distribution expenses, and other expenses associated with the offering. The Company shall bear all the costs of the offering process.

## 18. Exemptions

The Company or the financial adviser did not apply to CMA for an exemption request from any of the requirements set out in the Listing Rules.

## 19. Subscription Terms and Conditions

All eligible shareholders, holders of the acquired rights, and bidders must read the terms, conditions, and instructions of underwriting and submit the offers carefully before filling out the Subscription Application Form or the Bidding Form of related to the Offering since the signing and submitting of the request or Application Form is considered an approval and acceptance of the stated terms and conditions.

The signing of the Subscription Application Form and submitting it to the receiving agents is a binding agreement between the Company and the eligible person. Eligible persons can obtain this Prospectus and the Subscription Form from the following receiving agents:

### 19.1 Subscription to Rights Issue

Eligible shareholders willing to subscribe to the Rights Issue have to submit the Subscription Application Form during the two offering periods named below. Subscription Application Forms can be obtained from the following receiving agents:

#### Receiving Agents

Falcom Financial Services Company  
Riyadh –Olaya Street  
PO Box 884, Riyadh 11421, Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: +966 11 2054831  
E-mail: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa

FALCOM فالكم



Samba Financial Group  
King Abdul Aziz Road  
PO Box 833, Riyadh 11421, Kingdom of Saudi Arabia  
Tel: +966 11 4774770  
Fax: +966 11 4799402  
E-mail: customercare@samba.com  
Website: www.samba.com.sa

samba سامبا

Al Rajhi Bank  
Olaya Street  
PO Box 28, Riyadh 11411  
Tel: +966 11 4629922  
Fax: +966 11 4624311  
E-mail: contactcenter@alrajhibank.com.sa  
Website: www.alrajhibank.com.sa

Al Rajhi Bank مصرف الراجحي



Riyad Bank  
King Abdul Aziz Road  
PO Box 22622, Riyadh 11416, Kingdom of Saudi Arabia  
Tel: +966 11 4013030  
Fax: +966 11 4042618  
E-mail: customercare@riyadbank.com  
Website: www.riyadbank.com

بنك الرياض  
riyad bank

The Saudi British Bank (SABB)  
Riyadh - Prince Abdul Aziz bin Misa'id bin Galowui  
PO Box 9084, Riyadh 11413, Kingdom of Saudi Arabia  
Tel: +966 11 4050677  
Fax: +966 11 4050660  
E-mail: sabb@sabb.com.sa  
Website: www.sabb.com

SABB ساب



The Subscription to the Rights Issue Shares (the "Subscription") is carried out through offering (10,500,000) ten million, five hundred thousand new common shares, representing (105%) of the capital of the Company at an offer price of ten (10) Saudi Riyals per share, with a nominal value of 10 Saudi Riyals, and the value of the total amount is (105,000,000) one hundred five million Saudi Riyal in order to increase the Company's capital shares from (100,000,000) one hundred million Saudi Riyal to (205,000,000) two hundred five million Saudi Riyal.

The New Shares will be issued by (1) share for each (1) Rights Issue (1.05 for each (1) share). Subscription to the Rights Issue shall be for the registered shareholders in the Company's shareholders records at the end of the Trading Period of the day of the EXTRAORDINARY GENERAL ASSEMBLY MEETING (the Date of Eligibility) on Wednesday 19/06/1436H (corresponding to 08/04/2015G) and for the Eligible Persons who bought Rights Issue during the Trading Period, including registered shareholders who bought additional Rights Issue as well as the Rights Issue they originally own. In the event that Eligible Persons do not exercise their rights by the end of the Second Offering Period, the unsubscribed shares resulting from failure to exercise such rights or selling them by the Eligible Persons, shall be offered to Institutional Investors by offering them during the Rump Offering period.

Registered Shareholders can trade in the Rights Issue deposited in their portfolios through the Saudi Stock Exchange (Tadawul). These shares are an acquired right to all the registered shareholders in the Company's records at the end of the day of the Extraordinary General Assembly Meeting (Subscription Eligibility Date). Each share gives its holder the right to subscribe to one New Share at the offer price. The Rights shall be deposit after the Extraordinary General Assembly Meeting of maximum two days. The Rights shall appear in the shareholders' portfolios under a new special symbol.

The timetable for the process of the Rights Issue Shares shall be as follows:

- **The Eligibility Date:** The end of trading at the day of the Extraordinary General Assembly Meeting on Wednesday 19/06/1436H (corresponding to 08/04/2015G).
- **The First Offering Period:** From Tuesday 25/06/1436H (corresponding 14/04/2015G) until the end of Thursday 04/07/1436H (corresponding 23/04/2015G) ("the First Offering Period"), during which only Registered Shareholders may exercise their right to subscribe (in whole or in part) in the new shares up to the number of Rights Issue deposited in their portfolios after the Extraordinary General Assembly Meeting. The subscription for the New Shares will be approved, subject to the number of Rights Issue available in the relevant portfolio at the end of the Trading Period. Subscription for the New Shares shall be carried out through submitting the Application Form to any of the branches of the receiving agents through filling out the Subscription Application Form, ATM, telephone, or online subscription to the receiving agents who offer this service for subscribers. It is worthy to mention that at the end of the Trading Period, in the event the registered shareholder owns a number of Rights Issue less than the number of Rights excised during the same period, subscription shall be wholly or partly rejected. The subscriber shall be notified and the amount of subscription shall be refunded through the receiving agent.
- **The Subscription Trading Period:** From Tuesday 25/06/1436H (corresponding 14/04/2015G) until the end of Thursday 04/07/1436H (corresponding 23/04/2015G), which coincides with the First Offering Period. Tadawul would have developed, by then, mechanisms for regulating the Rights Issue trading process in its systems and a separate symbol of Company's Rights Issue is marked (which is different from the Company's symbol on Tadawul screen). Tadawul system shall delete the Company's Rights Issue symbol on its screen after the end of the Trading Period. This period includes the following steps:
  - A. Registered shareholders, during this period, have the following options:
    - Keeping the rights as at the date of eligibility and exercising their right to subscribe to new shares;
    - Selling the rights or part thereof, through the Exchange;
    - Buying additional rights on the Exchange; and
    - Not to do anything with regard to the Rights Issue, either by selling or subscription. In this case, the Rump Shares resulting from failure to exercise these rights or selling them will be offered during the "Rump Offering" period.
  - B. Buyers of Rights Issue during this period may trade in them either through buying or selling these rights in whole or in part. In the event of buying and maintaining these rights, they can exercise subscription in the Second Subscription Period only through filling out the Subscription Application Form or online application to the receiving agents that provide these services to subscribers. In the event of failure to subscribe to these rights by the end of the Second Subscription Period, the Rump Shares resulting from failure to exercise or sell these rights shall be offered in the Rump Offering Period.
- **The Second Subscription Period:** From Sunday 07/07/1436H (corresponding to 26/04/2015G) until the end of Tuesday 09/07/1436H (corresponding to 28/04/2015G). No Rights Issue shall be traded in this period. It includes the following steps:



- A. Registered shareholders who own shares in the Company as of the Eligibility Date but did not exercise these Rights in New Shares in the Company in whole or in part during the First Subscription Period may exercise their rights during this period in the same way described in the First Subscription Period. In the event they bought additional rights in the Trading Period, they can exercise subscription during the Second Subscription Period through filling out the Subscription Application Form, ATM, telephone, or online subscription with the receiving agents which provide these services to subscribers. In the event of failure to exercise these rights by the end of this period, they shall be offered in the Rump Offering Period.
- B. Those who bought Rights during the Trading Period and kept them to the end of the Trading Period may exercise subscription in this period in the same way identified in the First Subscription Period. In the event of failure to exercise subscription to these rights by the end of this period, the Rump Shares resulting from failure to exercise or sell these rights shall be offered in the Rump Period.
- **The Rump Offering Period:** From ten o'clock in the morning on Sunday 14/07/1436H (corresponding to 03/05/2015G) till ten o'clock in the morning of the following day on 15/07/1436H (corresponding to 04/05/2015G). During this period, the Rump Shares in addition to fractional shares shall be offered to a number of investors with institutional nature (referred to as "institutional investors") provided that these investment institutions should submit offers for buying the Rump Shares. The Rump Shares will be allocated for investment institutions of higher bid, then the lower. These shares will be allocated proportionately among the investment institutions that provide the same offer. The subscription price for the New Shares that were not subscribed to in this period shall not be less than the Offer Price.  
If the selling price of the unsubscribed shares is higher than the Offer Price, the difference (if any) shall be distributed in compensation to holders of Rights who have not subscribed to their Rights according to the percentage of the Rights they own.
- **Final Allocation of Shares:** Allocation of shares for each investor shall be based on the number of Rights it practiced fully and correctly. For the Eligible Persons of fractional shares, the fractional shares shall be calculated then offered to the investment institutions during the Rump Offering Period. The total amount of the Offer Price of the Company's Rump Shares shall be paid and the proceeds of selling the Rump Shares and the fractional shares (not exceeding the Offer Price) shall be distributed among the Eligible Persons no later than on Wednesday 24/07/1436H (corresponding to 13/05/2015G).
- **Trading in the New Shares in the Exchange:** The Rights Issue shall be traded in Tadawul system after the completion of all the procedures of registering and allocating the Rights Issue.

The Existing Shares of the Company are currently traded. The Company has submitted an application to the Capital Market Authority of Saudi Arabia to register and accept the inclusion of the New Shares in the Saudi Capital Authority "Tadawul", and this Prospectus was approved and the Company has fulfilled all the requirements. All the necessary regulatory approvals required to carry out the offering of the New Shares were obtained. It is expected that the New Shares shall be traded on the market soon after the completion of the process of allocation of New Shares and refunding the surplus (Please refer to the "Key Dates for Subscribers" section).

## 19.2 Eligible Persons Not Participating in the Subscription of the New Shares

Tadawul shall amend the Company's share price after the close of the Company's shares trading on the day of the Extraordinary General Assembly Meeting dated 19/06/1436H (corresponding to 08/04/2015G) based on the offer value and the number of New Shares issued under this Prospectus in addition to the market value of the listed shares at the time of closing. Registered Shareholders who do not participate fully or partly in the subscription of New Shares are vulnerable to declining their ownership in the Company in addition to declining the value of the shares currently owned by them. For Eligible Persons who did not subscribe or sell their Rights, they will be vulnerable to loss. Eligible Persons who do not participate in the subscription of New Shares will not obtain any advantages or benefits for their eligible Rights Issue shares, except that they shall receive cash compensation from the proceeds of the sale of shares in the Rump Shares, according to their entitlement (if any). Registered Shareholders shall keep the same number of shares that they own before the capital increase.

In the event the institutional investors are willing to buy the Rump Shares at the offer price only, or in the event of unwillingness to subscribe, which means that the underwriter shall buy the Rump Shares at the Offer Price, the Eligible Persons who do not participate in the subscription shall not receive any compensation as a result of failure to exercise Rights of the New Shares.

The amount of compensation (if any) for the Eligible Persons who did not participate in the subscription of New Shares, in whole or in part, and the persons eligible to the fractional shares, shall be calculated by dividing the amount of compensation on the total number of shares that are not subscribed by the Eligible Persons and the persons eligible to the fractional shares. Thus, the compensation due amount shall be determined for each Rump Share, which shall be paid to the Eligible Person who did not subscribe to all or part of the Shares eligible to subscription and also to the persons eligible to fractional shares.

### 19.3 Filling out the Subscription Application Form

The Eligible Person who wishes to exercise its full right and subscription to all Rights Issue, to which it is eligible to subscribe, must fill the Subscription Application Form and submit it with the full due amount of the Subscription Form along with the required documents to one of the branches of the receiving agents during the subscription period.

The number of shares, to which persons are eligible to subscribe, are calculated according to the number of the Rights owned by the end of the Second Subscription Period. The amount of subscription which the subscriber should pay shall be calculated by multiplying the number of Rights owned by the end of the Second Subscription Period in ten (10) Saudi Riyals.

Through filling out and submitting the Subscription Application Form, the subscriber acknowledges the following:

- Accepting subscription to the Company's shares according to the number of shares stated in the Subscription Application Form;
- That he has reviewed the Prospectus and all its contents and carefully studied and understood its content;
- Accepting the company by-laws and conditions contained in the Prospectus;

Not to assign its right to claim and recourse against the Company with any damage directly sustained due to that the Issue Prospectus contains incorrect or inadequate substantial information or failure to mention substantial information that would have directly affected the subscriber's acceptance of the Offer had it been added to the Prospectus;

- Acceptance of the allocated shares under the Subscription Application Form and acceptance of all the subscription terms and conditions contained in the Application and in the Prospectus; and
- Ensuring that the Form shall not be amended or canceled after submission to the receiving agents.

### 19.4 Documents Required to be Submitted with the Subscription Application Form

The Subscription Application Form must be submitted attached to the following documents, as appropriate. The receiving agent shall match the copy with the original and give the origin back to the subscriber:

- The Original and Copy of the ID card (for the individual subscriber);
- The Original and Copy of the family book (for family members);
- The Original and Copy of the Instrument of Attorney (in the event of authorizing someone else to subscribe);
- The Original and Copy of the guardianship Instrument (for orphans) (for the individual subscriber);
- The Original and Copy of the Residency for non-Saudis, where applicable, (for the individual subscriber); and
- The Original and Copy of the Commercial Registration for the legal person.

The full amount of subscription must be paid when submitting the Subscription Application Form with one of the branches of the receiving agents through authorizing the receiving agent to deduct the required amount from the subscriber's account with the receiving agent, or through a certified bank check drawn on a local bank and registered in the name of the Company.

Authorization is limited to family members of the first class (children and parents). In the event of submitting the Application Form on behalf of someone else, the authorized must write his name and sign the Subscription Form and to enclose the original and copy of a valid power of attorney issued by the Notary (for people residing in the Kingdom of Saudi Arabia) or legalized by the Saudi Embassy or Consulate in the country of the subscriber (for people living outside the Kingdom of Saudi Arabia).

### 19.5 Submitting the Subscription Form

Receiving of Application Forms in the branches of the receiving agents in the Kingdom shall begin during the first and Second Offering Periods. In the event of Rump Shares, Subscription Application Forms for any Rump Shares can be submitted by institutional investors only. Subscription Application Forms can be submitted during the subscription period either through one of the branch of the receiving agents, bank telephone, ATM, or Internet banking with any of the receiving agents that provide these services, noting that the Subscription Application Form contains further instructions that must be followed carefully. When signing and submitting the Subscription Application Form, the receiving agent shall stamp it and provide the Eligible Person with a copy of it. In case the information provided in the Subscription Application Form is incomplete or incorrect, or was not stamped by the receiving agent, the subscription Form will be considered null and void. The Eligible Person must agree to the Subscription Terms and Conditions and fill all the terms of the Subscription Application Form. In the event of the Form's failure to fulfill any of the Subscription Terms and Conditions, the Company has the right to reject that Form,

in whole or in part. Any the Subscription Application Form that contains incomplete or incorrect information, or was not stamped by the receiving agent, the Subscription Form will be considered null and void and may not be modified or withdrawn after submitting it to the receiving agent. After the Company's approval, it shall be a binding contract between the subscriber and the Company.

The subscriber is considered an Eligible Person who bought the number of Rights when the following conditions are met:

- Delivery by the Eligible Person of the Subscription Application Form to one of the branches of the receiving agents;
- Payment of the full amount of the subscription (as defined above) by the Eligible Person (the subscriber) through the receiving agents; and
- Receipt of the Eligible Person (the subscriber), through the receiving agent, a notice of the allocation that determines the number of shares that have been allocated to him.

Noting that the shares shall be allocated to the Eligible Persons at a maximum of the number of shares to which they applied.

## 19.6 Allocation

The Company and Lead Manager shall open an escrow account named (the Saudi Indian Company for Cooperative Insurance Account "Wafa Insurance") in which the subscription proceeds shall be deposited. Shares will be allocated to each investor based on the number of rights exercised thereby in a complete and correct manner. As for the Eligible Persons of fractional shares, fractional shares shall be collected and offered to institutional investors during the Rump Period. The total Offer Price of the Company's Rump Shares shall be paid and the rest of the Rump Shares selling proceeds and fractional shares shall be distributed (beyond the Offer Price) to the Eligible Persons, each according to what he is entitled to no later than 24/07/1436H (corresponding to 13/05/2015G). In the case of shares that remain unsubscribed, the underwriter shall buy the New Rump Shares and shall be allocated to it.

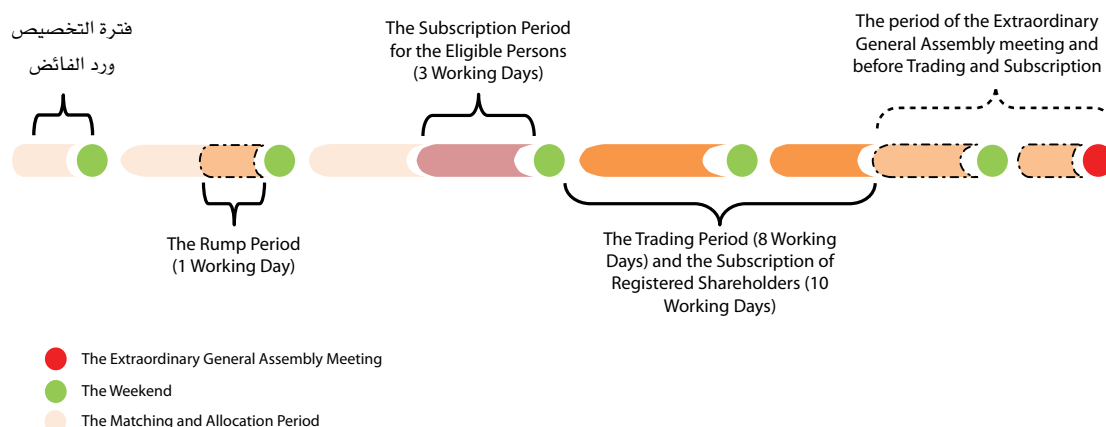
The final announcement of the final number of shares that have been allocated to each Eligible Person shall be without any commissions or deductions from the Lead Manager or receiving agents by entering same in the accounts of subscribers to the receiving agents. The Eligible Persons should contact the branch of the receiving agent, through which the Subscription Application Form was submitted, to obtain any additional information. The results of allocation shall be announced no later than 17/07/1436H (corresponding to 06/05/2015G).

As for the Eligible Persons of fractional shares, fractional shares shall be collected and offered to institutional investors during the Rump Period. The shares proceeds of selling these fractional shares shall be distributed to the Eligible Persons, each according to what he deserves no later than 24/07/1436H (corresponding to 13/05/2015G).

## 19.7 Payment of Compensation Amounts

The compensation payments shall be paid to the Eligible Persons who do not participate, fully or partly, in the Rights Issue, if any, no later than 24/07/1436H ( corresponding to 13/05/2015G).

**Figure: 19.1: An Illustration of the New Rights Issue Mechanism**



## 19.8 FAQ About the New Offer Shares Issue Mechanism

### What are Offer shares?

These are tradable securities that give the holder the eligibility of subscription to new shares offered at the adoption of the capital increase, which is an acquired right of all the shareholders registered in the Company records at the end of the day of the Extraordinary General Assembly meeting. Each right gives the holder subscription eligibility to a new one share at the offer price.

### Who is granted the Offer shares?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

### When are the Offer shares deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period. Offer shares.

### How are Registered Shareholders notified of the Offer shares being deposited in their portfolios?

Registered shareholders are notified through an announcement on Tadawul website.

### How many rights can be given to a Registered Shareholder?

This depends on the eligibility factor and the number of shares owned by the registered shareholder at the end of trading on the day of the EGM.

### What is the Rights Issue ratio?

It is the factor that enables registered shareholders to know the number of due Offer shares in exchange for the shares it owns at the date of the Extraordinary General Assembly meeting. For example: if the number of the shares issued for a given Company is 1,000 shares and this Company raised its capital by offering 200 new shares, the number of its shares will be increased to 1,200 shares and the eligibility factor, in this case, will be 1 to 5 (i.e. one new share for every five shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name? Offer shares will be deposited to the investors' portfolios under a new symbol for Offer shares.

### What is the Right value upon the trading commencement?

The opening price of right will be the difference between the closing price of the Company's shares on the day before the inclusion of the right, and the offer price. For example: if the closing price in the previous day is SAR 35 and the offer price is SAR 10, the opening price for priority rights will be SAR 25.

### Can Registered Shareholders subscribe for additional shares?

Registered shareholders can subscribe to additional shares through buying new Offer shares during the Trading Period. New additional shares that are acquired through purchasing new Offer shares can be subscribed to only during the second offering period.

### How does the Offering take place?

The subscription process works, like what is currently followed, by submitting subscription application forms at any of the branches of the Receiving Agents (named in this Prospectus) during the offering periods only.

**Is it possible to subscribe more than once and through more than one receiving agent?**

Yes, it is possible, but taking into consideration that the amount of subscribed shares must not be more than the number of rights owned at the end of the Offer shares Trading Period, since any increase in the amount of subscribed shares more than the number of rights owned at the end of the Offer shares Trading Period will result in the cancellation of the subscription application.

**In case of owning the Company's shares through more than one investment portfolio, in which portfolio Offer shares will be deposited?**

Offer shares will be deposited in the same portfolio in which the Company's shares related to the rights are deposited. For example, if a shareholder owns 1000 shares in the Company (800 shares in the portfolio "A" and 200 shares in the portfolio "B"), the total rights to be deposited is (1,050) rights on the grounds that each share has (1.05) right, consequently 840 rights will be deposited in the portfolio "A" and 210 rights in the portfolio "B".

**In case of subscription through more than one portfolio, in which portfolio the new shares, after allocation, will be deposited?**

The shares will be deposited in the investment portfolio mentioned in the first subscription application.

**Do holders of shares certificates have the right to subscribe and trade?**

Yes, holders of shares certificates have the right to subscribe, but they can trade only after the certificates are deposited in the investment portfolios through the Receiving Agents or depository centers in Tadawul and bringing the necessary documents.

**In case of completing subscription to the new shares and rights are sold, what happens in this case?**

In case one of the registered shareholders subscribed and then sold the Offer shares but did not purchase Offer shares equal to the number of rights that it subscribed to by the end of the Trading Period, the subscription application will be fully rejected in case of selling all the rights or partly i.e. equivalent to the rights sold. The registered shareholder will be notified and the amount of subscription will be refunded through the Recipient.

**Do owners of additional rights have the right to trade in them again?**

Yes, and they can sell them and purchase other rights only during the Trading Period.

**Is it possible to sell a portion of these rights?**

Yes, the investor can sell a portion of these rights and subscribe to the remaining part.

**Is subscription possible during the weekend between the first and second stages?**

It is not possible.

**When the shareholder can subscribe to the Offer shares which it bought during the Trading Period?**

During the second stage only and after the end of the Offer shares Trading Period.

**Is it possible for the eligible person to sell the rights after the end of the Trading Period?**

It is not possible. After the end of the Trading Period, it remains for the eligible person to exercise the right to subscribe by increasing the capital. In case of failure to exercise the right, the investor may face loss or decrease in the value of the investment portfolio.

## **What happens to the Offer shares that have not been sold or subscribed to during the Trading Period and the first and second subscription stages?**

The Rump Shares resulting from lack of exercising or sale of these rights will be offered in the offering of the Rump Shares period which is organized by the lead manager, according to the standards set by this Prospectus.

## **Will there be any additional charges for the operations of Offer shares Trading Period?**

The commissions of purchasing and selling will be the same of that of shares but without a minimum amount of the commission.

### **19.9 Miscellaneous**

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their successors, permitted assigns, executors, administrators and heirs, provided that, except as specifically contemplated herein, neither the subscription application form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- The terms and conditions set here and any receipt of the Subscription Application Form or any related agreements are subject to, interpreted and executed under, the regulations of the Kingdom. This Prospectus may be distributed in Arabic and English. In case of any conflict, the Arabic text shall prevail.
- Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of shares on the market, becomes aware of:
  1. A significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules,  
Any additional issues that should have been included in the Prospectus.  
In these cases, it is incumbent on the Company to submit to the CMA as supplementary prospectus according to the requirements of the Listing Rules. Hence, the supplementary prospectus will be published and resulting offering dates will be declared.
  2. non-approval of the Extraordinary General Meeting on details of this offering

### **19.10 Trading of New Shares**

Trading of the new shares will take place upon the completion of all relevant procedures. This is expected to take place after the allocation of new shares in coordination with the CMA, and will be announced at a later date.

### **19.11 The Saudi Arabian Stock Exchange “Tadawul”**

Tadawul was founded in 2001 as the successor to the Electronic Securities Information System (ESIS). Electronic trading in securities commenced in the Kingdom in 1989.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from matching the order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m. from Sunday through Thursday of each week. After close of trading, orders can be entered, amended or cancelled from 10:00 until 11:00 a.m. New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.).

These times are subject to change during Holy month of Ramadan, and are announced by Tadawul's management.

Tadawul system works on matching orders by price. Orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first-come-first-serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such Reuters.

Transactions are settled automatically during the day, meaning that ownership transfer takes place immediately after the trade is executed.



Issuers are required to report all material announcements via Tadawul to the investors. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and smooth streamlining of its processes.

## 19.12 Registration with Saudi Stock Exchange (Tadawul)

The Company made an application to the CMA to enlist and include the new shares on the official Saudi Stock Exchange. This prospectus was approved. All requirements were met. All necessary approvals were obtained for the new rights issue. Although the existing shares are registered and listed on Tadawul, the new shares cannot be traded except after the final allocation of shares are approved and they are deposited in the subscribers' portfolios in Tadawul. The new shares may never be traded before fulfilling that requirement.

In case of prohibited trading activities, the subscribing shareholders engaged in such activities are fully liable therefor. The Company will accept no legal liability in this case.

Although the existing shares are registered on the Tadawul, it will only be possible to trade in the new shares only the allocation of the new shares has been approved and they have placed in the Tadawul's portfolio of subscribers. It is absolutely forbidden to trade in the new shares before that.

The subscribers or bidders of the supplementary offering who engage in the prohibited trading activities act on their own risk. The Company accepts not legal liability in this case.

## 19.13 Resolutions and approvals under which shares are offered

SAMA's approval under Letter No. 351000133768 dated 30-10-1435H (26-8-2014G) to increase its share capital by SAR 105,000,000 million through the rights issue offering has recently been obtained. Upon completion of the offering, the Company's share capital will be SAR 205,000,000 million divided into 20,500,000 shares with a nominal value of SAR 10 per share. The Company's Board has issued its resolution dated 27-6-1435H (27-4-2014G) recommending increase of the Company's capital to meet its requirements of raising the solvency. The Extraordinary General Assembly held on 19/06/1436H (corresponding to 08/04/2015G) has approved the recommendation of the Board of Directors to increase the capital as requested and the increase will be limited to shareholders registered at the end of the trading day of the Extraordinary General Assembly meeting.

This Prospectus and all the supporting documents requested by the CMA have been approved by publishing this Prospectus on Tadawul website on Wednesday of 19/06/1436H (Corresponding to 08/04/2015G).

It should be noted that the shares of the Company's founding shareholders shall be obliged to obtain the SAMA's approval before the disposal of their acquired shares.

## 19.14 Change in the share price as a result of the capital increase

The closing price of the Company's share on the meeting day of the Extraordinary General Assembly is 31,71 and expected to reach 20,59 in the opening session the next day. The change represents a decrease of 35.1%.

The method of calculating the share price as a result of the capital increase is as follows:

**First:** To calculate the market value of the Company at the close of trading on the meeting day of the Extraordinary General Assembly:

Number of shares issued by the Company at the end of the meeting day of the Extraordinary General Assembly X the closing price for the Company's share on the meeting day of the Extraordinary General Assembly = market value of the Company at the close of trade on the meeting day of the Extraordinary General Assembly.

**Second:** To calculate the price of share in the opening session on the day following the meeting day of the Extraordinary General Assembly:

(The market value of the Company at the close on the meeting day of the Extraordinary General Assembly + the value of the offered shares) / (Number of shares issued by the Company at the end of the meeting day of the Extraordinary General Assembly + the number of shares offered in this subscription) = expected share price for the opening session on the day following the meeting day of the Extraordinary General Assembly.



## 20. Documents available for inspection

The following documents will be available for inspection at the head office of the Falcom Financial Services, Olaya Street, King Abdullah Crossroad, Riyadh, during the official working hours from 9:00 a.m. to 4:30 p.m. 20 days before the commencement of the subscription period and during the term of the subscription period.

### **The Company's Documents:**

1. The Company's By-Laws
2. The commercial registration certificate

### **Share Offering:**

1. SAMA's approval
2. SAMA's approval to increase the Company's capital
3. Recommendation of the Board of Directors to increase the Company's capital
4. Extraordinary General Assembly's resolution approving the increase of the Company's capital

### **Reports, Letters and Documents:**

1. Contracts and agreements disclosed herein
2. Written consent of the financial advisor, Lead Manager, underwriter at Falcom Financial Services to include their names, logos and statements in this prospectus
3. Written consent by the financial due care consultant of Pricewaterhousecoopers (PWC) to present their reports and make reference thereto in this Prospectus
4. Written consent by the legal advisor of Abdulaziz Al Assaf and Associates Law Firm (lawyers and advisors) to include their names, logos and statements in this prospectus
5. Written consent by the external auditors: KPMG Al Fozan & Al Sadhan Office, Al Sabti & Bannaga – Saad Saleh Al Sabti, to include their names, logos and statements in this prospectus in their capacity as the Company's external auditors for three fiscal years ending as of 31 December of 2011, 2012 and 2013 and the period ending in 30 June 2014
6. Market reports

### **Financial Statements:**

1. The Company's audited financial statements for the years ending as of 31 December of 2011, 2012, 2013 and auditor's report thereon
2. The Company's unaudited financial statements for the period ending on 30 June of 2014 and auditor's report thereon

## 21. Auditor's Report

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2014**  
together with the  
**INDEPENDENT AUDITORS’ REVIEW REPORT**



**Saad Al-Sabti Firm**  
Certified Public Accountant



**KPMG Al Fozan & Al Sadhan**

## **INDEPENDENT AUDITORS' REVIEW REPORT OF INTERIM CONDENSED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE  
"WAFA INSURANCE" (A SAUDI JOINT STOCK COMPANY)**

### **SCOPE OF REVIEW**

We have reviewed the accompanying interim statements of financial position of Saudi Indian Company for Cooperative Insurance "Wafa Insurance" (A Saudi Joint Stock Company) ("the Company") as at 30 June 2014, and the related interim statements of insurance operations, shareholders' operations, comprehensive results of shareholders' operations for the three month and six month periods then ended, the statements of changes in shareholders' equity and insurance operations' and shareholders' cash flows for the six month period then ended and the related notes which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an audit opinion.

### **CONCLUSION**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

### **EMPHASES OF MATTER**

Without qualifying our conclusion we draw attention to the following:

- a) the fact that these interim condensed financial statements are prepared in accordance with International Accounting Standard (34) – Interim Financial Reporting and not in accordance with the Accounting Standards on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA).



**Saad AL-Sabti Firm**  
Certified Public Accountant



**KPMG Al Fozan & Al Sadhan**

- b) the Company has accumulated losses of SR 73.3 million as at 30 June 2014 (31 December 2013: SR 71.6 million) which equals to 73.3% (31 December 2013: 71.6%) of the share capital. The continuation of the operations of the Company is dependent on the future profitability of business and improvement in its capital deficiency through capital raise after obtaining necessary regulatory approvals. These conditions as set out in note 2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, it is the intention of management to continue to operate the Company on a going concern basis for the foreseeable future.

**Saad AL-Sabti Firm**  
P. O. Box 9524  
Riyadh 11423  
Kingdom of Saudi Arabia

**Saad Saleh Al Sabti**  
Certified Public Accountant  
Licence No. 380



24 Ramadan 1435H  
21 July 2014

**KPMG Al Fozan & Al Sadhan**  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

**Khalil Ibrahim Al Sedais**  
Certified Public Accountant  
Licence No. 371



**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Insurance Operations' Assets			
Cash and cash equivalents	6	426,644	10,399,606
Receivable from policyholders, net	11	49,677,968	45,452,179
Reinsurers' share of outstanding claims		24,722,284	20,704,786
Reinsurers' share of unearned premium income		46,932,049	36,519,809
Deferred policy acquisition costs		12,019,795	9,402,704
Prepaid expenses		948,455	3,865,157
Investments	7	2,423,078	2,423,078
Advances and other receivables		6,689,706	6,668,524
Property and equipment, net		481,898	397,516
Intangible assets, net		1,265,387	1,656,627
Due from shareholders' operations		46,339,488	35,303,898
<b>Total Insurance Operations' Assets</b>		<b>191,926,752</b>	<b>172,793,884</b>
Shareholders' Assets			
Cash and cash equivalents	6	26,033,250	10,098,799
Investments	7	38,334,382	45,570,322
Advances and other receivables		427,500	930,001
Statutory deposit – Sukuk	8	10,800,035	10,800,035
<b>Total Shareholders' Assets</b>		<b>75,595,167</b>	<b>67,399,157</b>
<b>Total Assets</b>		<b>267,521,919</b>	<b>240,193,041</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

Expressed in Saudi Arabian Riyals

	Note	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Insurance Operations' Liabilities			
Reinsurers' balances payable		7,736,527	9,492,315
Unearned premium income		115,376,449	95,451,644
Unearned commission income		2,658,270	1,192,183
Outstanding claims		58,301,269	49,767,188
Reserve for life insurance operations		1,516,730	1,516,730
Accrued expenses		928,600	2,608,406
Brokerage payable to brokers		2,940,195	9,631,006
Other liabilities		1,026,514	1,788,077
Employees' end of service benefits		1,442,198	1,346,335
<b>Total Insurance Operations' Liabilities</b>		<b>191,926,752</b>	<b>172,793,884</b>
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Accrued zakat		251,316	601,009
Accrued expenses		1,105,000	1,314,000
Other liabilities	8	700,035	700,035
Due to insurance operations		46,339,488	35,303,898
<b>Total Shareholders' Liabilities</b>		<b>48,395,839</b>	<b>37,918,942</b>
Shareholders' Equity			
Share capital		100,000,000	100,000,000
Accumulated deficit		(73,339,085)	(71,678,872)
Change in fair value of available for sale investments		538,413	1,159,087
<b>Total Shareholders' Equity</b>		<b>27,199,328</b>	<b>29,480,215</b>
<b>Total Shareholders' Liabilities and Equity</b>		<b>75,595,167</b>	<b>67,399,157</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>267,521,919</b>	<b>240,193,041</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.



**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS (UNAUDITED)**  
**For three and six month periods ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Note	Three months ended 30 June 2014	Three months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
Gross premiums written		59,797,314	44,355,838	120,779,993	98,767,099
Reinsurance premium ceded		(23,072,969)	(21,651,622)	(40,299,395)	(34,898,083)
Excess of loss premium		(783,392)	(798,818)	(1,566,784)	(1,597,636)
Net premiums written		35,940,953	21,905,398	78,913,814	62,271,380
Changes in unearned premium		(558,375)	6,307,375	(9,354,314)	(7,511,407)
Net premium earned		35,382,578	28,212,773	69,559,500	54,759,973
Reinsurance commissions		1,491,825	1,093,195	2,462,677	2,190,794
Other investment income		56,380	--	56,380	--
<b>Underwriting revenue</b>		<b>36,930,783</b>	<b>29,305,968</b>	<b>72,078,557</b>	<b>56,950,767</b>
Gross claims paid		31,019,006	28,545,888	58,439,203	60,550,690
Less: reinsurers' share		(10,471,970)	(12,154,445)	(19,012,994)	(26,913,498)
Net claims paid		20,547,036	16,391,443	39,426,209	33,637,192
Changes in outstanding claims		3,519,127	2,258,467	4,516,584	1,387,011
Net claims incurred		24,066,163	18,649,910	43,942,793	35,024,203
Policy acquisition costs		5,342,775	4,653,634	10,200,285	8,717,928
Other underwriting expenses		2,148,394	1,854,134	4,759,791	3,331,758
<b>Total claims and other expenses</b>		<b>31,557,332</b>	<b>25,157,678</b>	<b>58,902,869</b>	<b>47,073,889</b>
Underwriting surplus		5,373,451	4,148,290	13,175,688	9,876,878
General and administrative expenses		(10,079,702)	(6,124,472)	(16,950,917)	(11,734,128)
<b>Net deficit for the period</b>		<b>(4,706,251)</b>	<b>(1,976,182)</b>	<b>(3,775,229)</b>	<b>(1,857,250)</b>
<b>Transferred to shareholders' operations</b>	<b>3</b>	<b>4,706,251</b>	<b>1,976,182</b>	<b>3,775,229</b>	<b>1,857,250</b>
<b>Net result for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF SHAREHOLDERS’ OPERATIONS (UNAUDITED)**  
**For three and six month periods ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Note	Three months ended 30 June 2014	Three months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
Profit on sale of investments		12,491	950,511	776,155	4,435,943
Unrealized gain on investments held at FVIS		538,725	--	1,438,260	--
Investment income		450,089	273,685	795,089	463,218
		1,001,305	1,224,196	3,009,504	4,899,161
Directors’ remuneration	10	(335,000)	(475,341)	(670,000)	(698,674)
General and administrative expenses		(149,205)	(59,409)	(224,488)	(267,953)
Net deficit transferred from insurance operations	3	(4,706,251)	(1,976,182)	(3,775,229)	(1,857,250)
Net (loss)/ surplus for the period before Zakat		(4,189,151)	(1,286,736)	(1,660,213)	2,075,284
Provision for Zakat		--	(375,000)	--	(750,000)
<b>Net (loss)/ surplus for the period</b>		<b>(4,189,151)</b>	<b>(1,661,736)</b>	<b>(1,660,213)</b>	<b>1,325,284</b>
<b>(Loss)/ Earnings per share</b>		<b>(0.42)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>0.13</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE RESULTS OF SHAREHOLDERS’**  
**OPERATIONS (UNAUDITED)**  
**For three and six month periods ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Three months ended 30 June 2014	Three months ended 30 June 2013	Six months ended 30 June 2014	Six months ended 30 June 2013
(Loss)/ income for the period	(4,189,151)	(1,661,736)	(1,660,213)	1,325,284
Changes in fair value of available for sale investments	--	21,409	(620,674)	(475,080)
<b>Total comprehensive (loss)/ income for the period</b>	<b>(4,189,151)</b>	<b>(1,640,327)</b>	<b>(2,280,887)</b>	<b>850,204</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY (UNAUDITED)**  
**For six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Share capital	Accumulated deficit	Changes in fair value of available for sale investments	Total shareholders' equity
Balance at 1 January 2013	100,000,000	(65,125,681)	519,713	35,394,032
Net surplus for the period	--	1,325,284	--	1,325,284
Other comprehensive loss	--	--	(475,080)	(475,080)
<b>Balance as at 30 June 2013</b>	<b>100,000,000</b>	<b>(63,800,397)</b>	<b>44,633</b>	<b>36,244,236</b>
<b>Balance at 1 January 2014</b>	<b>100,000,000</b>	<b>(71,678,872)</b>	<b>1,159,087</b>	<b>29,480,215</b>
Net surplus for the period	--	(1,660,213)	--	(1,660,213)
Other comprehensive loss	--	--	(620,674)	(620,674)
<b>Balance as at 30 June 2014</b>	<b>100,000,000</b>	<b>(73,339,085)</b>	<b>538,413</b>	<b>27,199,328</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS’ CASH FLOWS (UNAUDITED)**  
**For six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Note	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
<b>OPERATING ACTIVITIES:</b>			
Net results for the period		--	--
Adjustments for:			
Loss transferred to Shareholders’ operations		(3,775,229)	(1,857,250)
Employees’ end of service benefits		95,863	203,405
Unearned premium income		19,924,805	10,904,875
Reinsurers’ share of unearned premium income		(10,412,240)	(3,528,028)
Amortization		391,240	349,010
Depreciation		104,329	145,232
		<b>6,328,768</b>	<b>6,217,244</b>
<b>Changes in operating assets and liabilities:</b>			
Receivable from policyholders, net		(4,225,789)	7,101,797
Reinsurers’ share of outstanding claims		(4,017,498)	3,930,741
Deferred policy acquisition costs		(2,617,091)	(1,922,609)
Prepaid expenses		2,916,702	337,855
Advances and other receivables		(21,182)	(529,053)
Reinsurers’ balances payable		(1,755,788)	(13,789,957)
Unearned commission income		1,466,087	1,074,050
Outstanding claims		8,534,081	(2,543,728)
Accrued expenses		(1,679,806)	(1,868,612)
Brokerage payable to brokers		(6,690,811)	--
Other liabilities		(761,563)	2,655,156
Due from shareholders		(7,260,361)	(283,412)
<b>Net cash (used in)/ from operating activities</b>		<b>(9,784,251)</b>	<b>379,472</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of intangibles		--	(18,984)
<b>Purchase of property and equipment</b>		<b>(188,711)</b>	<b>(73,136)</b>
<b>Net cash used in investing activities</b>		<b>(188,711)</b>	<b>(92,120)</b>
<b>FINANCING ACTIVITIES:</b>			
Amount received from Shareholders’ operations		--	(3,087,757)
Net cash used in investing activities		--	(3,087,757)
Decrease in cash and cash equivalents during the period		(9,972,962)	(2,800,405)
Cash and cash equivalents, beginning of the period		10,399,606	15,650,978
<b>Cash and cash equivalents, end of the period</b>	<b>6</b>	<b>426,644</b>	<b>12,850,573</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF SHAREHOLDERS’ CASH FLOWS (UNAUDITED)**  
**For six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

	Note	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
OPERATING ACTIVITIES:			
Net (loss)/ income for the period before Zakat		(1,660,213)	2,075,284
Adjustments for:			
Profit on sale investment		(776,155)	(4,435,943)
Loss transferred from Insurance operations		3,775,229	1,857,250
		<b>1,338,861</b>	<b>(503,409)</b>
Changes in operating assets and liabilities:			
Advances and other receivables		502,501	(321,099)
Accrued expenses		(209,000)	669,308
Zakat paid		(349,693)	(698,991)
Due to Insurance operations		7,260,361	302,396
<b>Net cash from/ (used in) operating activities</b>		<b>8,543,030</b>	<b>(551,795)</b>
INVESTING ACTIVITIES:			
Statutory deposit – Sukuk		--	5,000,000
Investments		7,391,421	(34,480,907)
<b>Net cash from/ (used in) investing activities</b>		<b>7,391,421</b>	<b>(29,480,907)</b>
FINANCING ACTIVITIES:			
Amount received from Insurance operations		-	3,087,757
<b>Net cash from investing activities</b>		<b>-</b>	<b>3,087,757</b>
Increase in cash and cash equivalents during the period		15,934,451	(26,944,945)
Cash and cash equivalents, beginning of the period		10,098,799	35,897,742
<b>Cash and cash equivalents, end of the period</b>	<b>6</b>	<b>26,033,250</b>	<b>8,952,797</b>
Non-cash supplemental information:			
<b>Net change in the fair value of available for sale investments</b>		<b>(620,674)</b>	<b>(475,080)</b>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the six month period ended 30 June 2014**

## **1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Indian Company for Cooperative Insurance “Wafa Insurance” (the “Company”) is a Saudi joint stock company as sanctioned by the Royal Decree No. M60 dated 18 Ramadan 1427H corresponding to 9 October 2006 (date of inception). The Company is registered in Riyadh with the Ministry of Commerce and Industry under commercial registration No.1010236705 dated 24/7/1428H corresponding to 7 August 2007. The Company’s registered office address is at Al-Maseef Dist., Northern Road between exit 5&6, PO Box: 341413, Riyadh 11333, Kingdom of Saudi Arabia.

The principal activities of the Company are to transact the cooperative insurance operations and all related activities including reinsurance and agency activities under the law of Supervision of Cooperative Insurance Companies and its bylaws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company is permitted to conduct its operations in the Kingdom of Saudi Arabia.

The Company was granted the license (number TMN/14/20086) on 6 Jumada II, 1429H corresponding to 8 September 2008 from Saudi Arabian Monetary Agency (“SAMA”). SAMA renewed the operational license for a further period of three years from 6 Jumada II, 1432 H corresponding to 9 May 2011. The Company commenced its general insurance operations from 20 August 2008 and protection and savings insurance operations from 11 January 2009.

## **2. BASIS OF PREPARATION**

These interim condensed financial statements for the six month period ended 30 June 2014 have been prepared in accordance with IAS 34 - Interim Financial Reporting. These financial statements have been prepared on the historical cost basis except for revaluation of investments - available for sale, which are carried at fair value.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s audited financial statements for the year ended 31 December 2013.

In management’s opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

As at 30 June 2014 the Company has accumulated losses of SR 73.3 million (31 December 2013: SR 71.6 million) that is 73.3% of the share capital (31 December 2013: 71.6%). While approving these financial statements the Board of Directors has considered the financial position and future profitability of the Company and believe that the going concern basis used for preparation of these financial statements is appropriate. The Company is in a continuous process to improve its business performance in order to reduce its accumulated losses. It also obtained conditional approval from SAMA to raise additional capital of SR 105 million to improve its capital deficiency after completion of respective formal procedures.

In accordance with Insurance Regulations, the Company is required to maintain minimum Solvency Margin. As at 30 June 2014, the solvency margin is less than the required minimum margin. The Company has submitted an action plan to SAMA to maintain the solvency margin. The Board of Directors is confident that the action plan will be considered favorably by SAMA.



## **SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**

**(A Saudi Joint Stock Company)**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**

**For the six month period ended 30 June 2014**

**Expressed in Saudi Arabian Riyals**

#### **3. BASIS OF PRESENTATION**

As required by the Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. Losses incurred by Insurance Operations are absorbed by Shareholders' Operations. Net surplus shall be distributed at the rate of 10% at the end of each year to the policyholders. The remaining 90% of the net surplus shall be transferred to the shareholders income statement.

#### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

These unaudited interim condensed financial statements have been presented in Saudi Arabian Riyal (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

#### **5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES**

he accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as of and for the year ended 31 December 2013, except for the adoption of new standards, amendments and revisions to existing standards, as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company:

- Amendments to IFRS 10, IFRS 12, and IAS 27 that provide consolidation relief for investment funds applicable from January 1, 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through income statement provided it fulfils certain conditions with an exception being for subsidiaries that are considered an extension of the investment entity's investing activities;
- IAS 32 amendment applicable from January 1, 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle;
- IAS 36 amendment applicable retrospectively from January 1, 2014, addresses the disclosure of information about the recoverable amount of impaired assets. Under the amendments, recoverable amounts of every cash generating unit to which goodwill or indefinite – lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed; and
- IAS 39 amendment applicable from January 1, 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

#### **Standard issued not yet effective**

IFRS 9 Financial Instruments is applicable from January 1, 2018 which provides guidance on the classification and measurement of financial assets and financial liabilities, requirements for derecognition of financial instruments, and incorporate revised requirements for hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Company's management is currently assessing the implications of IFRS 9 and the timing of its adoption.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**6. CASH AND CASH EQUIVALENTS**

	30 June 2014 (Unaudited)	
	Insurance Operations	Shareholders
Cash in hand	5,165	
Balance in current account	421,479	26,033,250
	<b>426,644</b>	<b>26,033,250</b>

	31 December 2013 (Audited)	
	Insurance Operations	Shareholders
Cash in hand	3,919	--
Balance in current account	10,395,687	10,098,799
	<b>10,399,606</b>	<b>10,098,799</b>

**7. INVESTMENTS**

	30 June 2014 (Unaudited)	
	Insurance Operations	Shareholders
Quoted securities - Investments held at fair value through income statement ("FVIS")	--	3,334,382
Unquoted securities - Available for sale	1,923,078	--
Shariah compliant funds - Available for sale	--	30,000,000
Shariah compliant sukuks - Available for sale	500,000	5,000,000
	<b>2,423,078</b>	<b>38,334,382</b>

	31 December 2013 (Audited)	
	Insurance Operations	Shareholders
Quoted securities - Investments held at fair value through income statement ("FVIS")	--	1,867,008
Unquoted securities - Available for sale	1,923,078	--
Shariah compliant funds - Available for sale	--	38,203,314
Shariah compliant sukuks - Available for sale	500,000	5,500,000
	<b>2,423,078</b>	<b>45,570,322</b>

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

## 8. STATUTORY DEPOSIT-SUKUK

In accordance with Article 58 of the Implementing Regulations for Cooperative Insurance, the Company has deposited an amount of SR 10,100,000 (SAR 10,800,035 including profit) (31 December 2013: SAR 10,800,035 including profit) with Riyadh Bank that has been invested in Sukuks. This deposit had an original maturity of 15 July 2027 with an early maturity option on 15 July 2012 which was not exercised by the Company. However, the Company is not allowed to withdraw any portion of the original deposit or the profit unless an approval is obtained from SAMA. Profit accrued of SAR 700,035 (Dec 2013: SAR 700,035) has been added in Statutory Deposit and the corresponding profit amount is shown in other liabilities.

## 9. RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Nature of transaction	Note	Amount of transaction		Balance	
			30 June 2014 (Unaudited)	30 June 2013 (Unaudited)	30 June 2014 (Unaudited)	31 December 2013 (Audited)
The New India Assurance Company Limited (Shareholder)	- Other liability		--	61	--	21,061
	- Reinsurance premium ceded		781,626	829,364	1,139,140	1,777,422
	- Reinsurance commission		194,887	225,996	283,197	454,059
	- Reinsurer's share of outstanding claims		260,294	376,642	353,994	2,455,269
Fawaz Al Hokair (Shareholder)	- Premium for Policies written		--	905,873	--	2,979,049
Directors and Executive Committee	Remuneration	10	670,000	698,674	990,000	798,674
Directors and Executive Committee	Meeting attendance fee		100,000	33,000	139,000	81,000

## 10. DIRECTORS' REMUNERATION

During the period, provision is made for the Board of Directors remuneration for SR 670,000 (30 June 2013: SR 698,674)

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**11. RECEIVABLE FROM POLICYHOLDERS, NET**

	30 June 2014 (Unaudited)
Gross receivables arising from insurance contracts	58,446,693
Less: provision for doubtful debts	(8,768,725)
<b>Net receivables</b>	<b>49,677,968</b>

	31 December 2013 (Audited)
Receivables arising from insurance contracts	51,014,997
Less: provision for doubtful debts	(5,562,818)
<b>Net receivables</b>	<b>45,452,179</b>

The movement in the provision for doubtful debts of premium receivables is as follows:

	30 June 2014	31 December 2013
Opening balance	5,562,818	8,062,818
Increase/ (decrease) in provision during the period	3,205,907	(2,500,000)
<b>Closing balance</b>	<b>(8,768,725)</b>	<b>5,562,818</b>

**12. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Investments held-to-maturity comprise of Statutory deposit – Sukuk amounting to SR 10,800,035, there is no change in the fair value of Statutory deposit – Sukuk.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

	Carrying Amount	Fair Value
Financial assets		
Held to maturity investments (Statutory deposit – Sukuk)	10,800,035	10,800,035

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in active market for the identical instrument (i.e., without modification or adjustment),

Level 2: Quoted market prices in active market for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as of 30 June 2014 based on the fair value hierarchy:

30 June 2014	Level 1	Level 2	Level 3	Total
Financial assets				
- Insurance operations	--	--	--	--
- Shareholders' operations	3,334,382	--	--	3,334,382
<b>Total</b>	<b>3,334,382</b>	<b>--</b>	<b>--</b>	<b>3,334,382</b>
31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
- Insurance operations	--	--	--	--
- Shareholders' operations	10,570,322	--	--	10,570,322
<b>Total</b>	<b>10,570,322</b>	<b>--</b>	<b>--</b>	<b>10,570,322</b>

The unlisted securities amounting to SR 37,423,078 are stated at cost in the absence of active markets or other means of reliably measuring their fair value.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

## 12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the six month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair value decrease of SR 620,674, is recorded in statement of comprehensive results of shareholder's operations.

## 13. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, receivables, prepaid expenses, investments, advances and other receivables, due from shareholders' operations and property and equipment. Accordingly, they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, unearned commission income, employees' end of service benefits, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under the related segments and are monitored on a centralized basis.

For the three month period ended 30 June 2014 (Unaudited)

	Motor	Health	Others	Total
Gross premiums written	18,013,377	29,537,497	12,246,440	59,797,314
Reinsurance ceded	--	(12,525,079)	(10,547,890)	(23,072,969)
Excess of loss premiums ceded	(783,392)	--	--	(783,392)
<b>Net premium written</b>	<b>17,229,985</b>	<b>17,012,418</b>	<b>1,698,550</b>	<b>35,940,953</b>
Changes in unearned premium	(4,558,361)	5,098,446	(1,098,460)	(558,375)
<b>Net premium earned</b>	<b>12,671,624</b>	<b>22,110,864</b>	<b>600,090</b>	<b>35,382,578</b>
Reinsurance commissions	--	--	1,491,825	1,491,825
Other Investment Income	56,380	--	--	56,380
<b>Underwriting revenue</b>	<b>12,728,004</b>	<b>22,110,864</b>	<b>2,091,915</b>	<b>36,930,783</b>
Gross claims paid	15,728,074	12,926,560	2,364,372	31,019,006
Reinsurers' share	(736,650)	(7,729,770)	(2,005,550)	(10,471,970)
<b>Net claims paid</b>	<b>14,991,424</b>	<b>5,196,790</b>	<b>358,822</b>	<b>20,547,036</b>
Changes in outstanding claims and reserves – net	2,737,883	659,244	122,000	3,519,127
Net claims incurred	17,729,307	5,856,034	480,822	24,066,163
<b>Policy acquisition costs</b>	<b>1,595,219</b>	<b>3,181,844</b>	<b>565,712</b>	<b>5,342,775</b>
Other underwriting expenses	120,744	1,966,323	61,327	2,148,394
Total claims and other expenses	19,445,270	11,004,201	1,107,861	31,557,332
<b>Underwriting (deficit)/ surplus</b>	<b>(6,717,266)</b>	<b>11,106,663</b>	<b>984,054</b>	<b>5,373,451</b>
General and administrative expenses	(3,036,415)	(4,978,972)	(2,064,315)	(10,079,702)
<b>Net (deficit)/ surplus for the period</b>	<b>(9,753,681)</b>	<b>6,127,691</b>	<b>(1,080,261)</b>	<b>(4,706,251)</b>

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**13. SEGMENTAL INFORMATION (Continued)**

For the six month period ended 30 June 2014 (Unaudited)

	Motor	Health	Others	Total
Gross premiums written	42,283,711	61,601,673	16,894,609	120,779,993
Reinsurance ceded	--	(26,042,153)	(14,257,242)	(40,299,395)
Excess of loss premiums ceded	(1,381,059)	--	(185,725)	(1,566,784)
<b>Net premium written</b>	<b>40,902,652</b>	<b>35,559,520</b>	<b>2,451,642</b>	<b>78,913,814</b>
Changes in unearned premium	(16,866,154)	8,794,036	(1,282,196)	(9,354,314)
<b>Net premium earned</b>	<b>24,036,498</b>	<b>44,353,556</b>	<b>1,169,446</b>	<b>69,559,500</b>
Reinsurance commissions	--	--	2,462,677	2,462,677
Other Investment Income	56,380	--	--	56,380
<b>Underwriting revenue</b>	<b>24,092,878</b>	<b>44,353,556</b>	<b>3,632,123</b>	<b>72,078,557</b>
Gross claims paid	29,033,487	26,277,090	3,128,626	58,439,203
Reinsurers' share	(736,650)	(15,713,606)	(2,562,738)	(19,012,994)
<b>Net claims paid</b>	<b>28,296,837</b>	<b>10,563,484</b>	<b>565,888</b>	<b>39,426,209</b>
Changes in outstanding claims and reserves – net	2,209,133	926,022	1,381,429	4,516,584
<b>Net claims incurred</b>	<b>30,505,970</b>	<b>11,489,506</b>	<b>1,947,317</b>	<b>43,942,793</b>
Policy acquisition costs	3,030,610	5,910,513	1,259,162	10,200,285
Other underwriting expenses	1,159,840	3,339,554	260,397	4,759,791
<b>Total claims and other expenses</b>	<b>34,696,420</b>	<b>20,739,573</b>	<b>3,466,876</b>	<b>58,902,869</b>
<b>Underwriting (deficit)/ surplus</b>	<b>(10,603,542)</b>	<b>23,613,983</b>	<b>165,247</b>	<b>13,175,688</b>
General and administrative expenses	(5,770,529)	(8,592,273)	(2,588,115)	(16,950,917)
<b>Net (deficit) surplus for the period</b>	<b>(16,374,071)</b>	<b>15,021,710</b>	<b>(2,422,868)</b>	<b>(3,775,229)</b>



**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**13. SEGMENTAL INFORMATION (Continued)**

As at 30 June 2014 (Unaudited)

	Motor	Health	Others	Total
Assets:				
Reinsurance share of outstanding claims	--	13,552,169	11,170,115	24,722,284
Reinsurance share of unearned premium	--	35,789,949	11,142,100	46,932,049
Deferred policy acquisition costs	4,059,430	5,978,323	1,982,042	12,019,795
Unallocated assets	--	--	--	108,252,624
<b>Total assets</b>				<b>191,926,752</b>
Liabilities:				
Unearned premium income	35,893,879	65,878,660	13,603,910	115,376,449
Outstanding claims	19,378,007	24,319,131	14,604,131	58,301,269
Reserve for life insurance operations	--	--	1,516,730	1,516,730
Unallocated liabilities	--	--	--	16,732,304
<b>Total liabilities</b>				<b>191,926,752</b>

For the three month period ended 30 June 2013 (Unaudited)

	Motor	Health	Others	Total
Gross premiums written	6,051,437	25,895,830	12,408,571	44,355,838
Reinsurance ceded	--	(11,452,666)	(10,198,956)	(21,651,622)
Excess of loss premiums ceded	(520,041)	--	(278,777)	(798,818)
<b>Net premium written</b>	<b>5,531,396</b>	<b>14,443,164</b>	<b>1,930,838</b>	<b>21,905,398</b>
Changes in unearned premium	9,496,831	(2,065,631)	(1,123,825)	6,307,375
<b>Net premium earned</b>	<b>15,028,227</b>	<b>12,377,533</b>	<b>807,013</b>	<b>28,212,773</b>
Reinsurance commissions	--	332	1,092,863	1,093,195
<b>Underwriting revenue</b>	<b>15,028,227</b>	<b>12,377,865</b>	<b>1,899,876</b>	<b>29,305,968</b>
Gross claims paid	11,423,617	14,366,020	2,756,251	28,545,888
Reinsurers' share	(1,382,834)	(8,619,056)	(2,152,555)	(12,154,445)
<b>Net claims paid</b>	<b>10,040,783</b>	<b>5,746,964</b>	<b>603,696</b>	<b>16,391,443</b>
Changes in outstanding claims and reserves – net	717,457	(26,834)	1,567,844	2,258,467
<b>Net claims incurred</b>	<b>10,758,240</b>	<b>5,720,130</b>	<b>2,171,540</b>	<b>18,649,910</b>
Policy acquisition costs	1,929,713	1,869,848	854,073	4,653,634
Other underwriting expenses	94,757	1,682,989	76,388	1,854,134
<b>Total claims and other expenses</b>	<b>12,782,710</b>	<b>9,272,967</b>	<b>3,102,001</b>	<b>25,157,678</b>
<b>Underwriting surplus/ (deficit)</b>	<b>2,245,517</b>	<b>3,104,898</b>	<b>(1,202,125)</b>	<b>4,148,290</b>
General and administrative expenses	(809,406)	(3,463,678)	(1,851,388)	(6,124,472)
<b>Net surplus/ (deficit) for the period</b>	<b>1,436,111</b>	<b>(358,780)</b>	<b>(3,053,513)</b>	<b>(1,976,182)</b>

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**13. SEGMENTAL INFORMATION (Continued)**

For the six month period ended 30 June 2013 (Unaudited)

	Motor	Health	Others	Total
Gross premiums written	35,176,205	46,522,161	17,068,733	98,767,099
Reinsurance ceded		(21,328,887)	(13,569,196)	(34,898,083)
Excess of loss premiums ceded	(1,040,082)	--	(557,554)	(1,597,636)
<b>Net premium written</b>	<b>34,136,123</b>	<b>25,193,274</b>	<b>2,941,983</b>	<b>62,271,380</b>
Changes in unearned premium	(2,681,039)	(3,465,816)	(1,364,552)	(7,511,407)
<b>Net premium earned</b>	<b>31,455,084</b>	<b>21,727,458</b>	<b>1,577,431</b>	<b>54,759,973</b>
Reinsurance commissions	--	332	2,190,462	2,190,794
<b>Underwriting revenue</b>	<b>31,455,084</b>	<b>21,727,790</b>	<b>3,767,893</b>	<b>56,950,767</b>
Gross claims paid	23,968,385	23,801,697	12,780,608	60,550,690
Reinsurers' share	(1,382,834)	(14,398,599)	(11,132,065)	(26,913,498)
<b>Net claims paid</b>	<b>22,585,551</b>	<b>9,403,098</b>	<b>1,648,543</b>	<b>33,637,192</b>
Changes in outstanding claims and reserves – net	447,250	57,003	882,758	1,387,011
<b>Net claims incurred</b>	<b>23,032,801</b>	<b>9,460,101</b>	<b>2,531,301</b>	<b>35,024,203</b>
Policy acquisition costs	3,691,003	3,514,151	1,512,774	8,717,928
<b>Other underwriting expenses</b>	<b>242,666</b>	<b>2,974,765</b>	<b>114,327</b>	<b>3,331,758</b>
<b>Total claims and other expenses</b>	<b>26,966,470</b>	<b>15,949,017</b>	<b>4,158,402</b>	<b>47,073,889</b>
Underwriting surplus/ (deficit)	4,488,614	5,778,773	(390,509)	9,876,878
General and administrative expenses	(3,697,053)	(5,508,726)	(2,528,349)	(11,734,128)
<b>Net surplus/ (deficit) for the period</b>	<b>791,561</b>	<b>270,047</b>	<b>(2,918,858)</b>	<b>(1,857,250)</b>

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**For the six month period ended 30 June 2014**  
**Expressed in Saudi Arabian Riyals**

**13. SEGMENTAL INFORMATION (Continued)**

As at 31 December 2013

	Motor	Health	Others	Total
Assets:				
Reinsurance share of outstanding claims	--	13,294,412	7,410,374	20,704,786
Reinsurance share of unearned premium	--	32,086,827	4,432,982	36,519,809
Deferred policy acquisition costs	2,318,663	6,219,835	864,206	9,402,704
Unallocated assets	--	--	--	106,166,585
<b>Total assets</b>				<b>172,793,884</b>
Liabilities:				
Unearned premium income	19,027,725	70,969,575	5,454,344	95,451,644
Outstanding claims	17,168,874	23,135,353	9,462,961	49,767,188
Reserve for life insurance operations	--	--	1,516,730	1,516,730
Unallocated liabilities	--	--	--	26,058,322
<b>Total liabilities</b>				<b>172,793,884</b>

**14. APPROVAL OF THE FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved on 19 Ramadan 1435 H corresponding to 16 July 2014.

**15. COMPARITIVE FIGURES**

Certain comparative figures have been reclassified, where necessary, to conform to the classification of current year's presentations.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A SAUDI JOINT STOCK COMPANY)**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR**  
**ENDED 31 DECEMBER 2013**  
**together with the**  
**INDEPENDENT AUDITORS’ REPORT**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE" (A SAUDI JOINT STOCK COMPANY)**

#### **SCOPE OF AUDIT**

We have audited the accompanying financial statements of Saudi Indian Company for Cooperative Insurance "Wafa Insurance" (A Saudi Joint Stock Company) (the "Company") which comprise the statement of financial position as at 31 December 2013, and the related statements of insurance operations, shareholders' operations, comprehensive results of shareholders' operations and statement of changes in shareholders' equity and insurance operations' and shareholders' cash flows for the year then ended and notes 1 to 34 which form an integral part of these financial statements.

#### **RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND AUDITORS**

These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards (IFRSs), the provisions of Article 123 of the Regulations for Companies and the Company's Bye-laws and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **UNQUALIFIED OPINION**

In our opinion the financial statements taken as a whole:

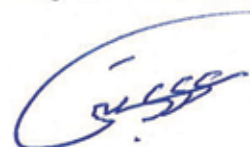
- present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs); and
- comply with the requirements of the Regulation for Companies and the Company's Bye-laws in so far as they affect the preparation and presentation of the financial statements.

### EMPHASIS OF MATTER

We draw attention to the following:


- a) the fact that these financial statements are prepared in accordance with IFRS and not in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- b) The Company has accumulated losses of SR 71.6 million as at 31 December 2013 (31 December 2012: SR 65.1 million) which equals to 71.6% (31 December 2012: 65.1%) of the share capital. The continuation of the operations of the Company is dependent on the future profitability of business and improvement in its capital deficiency through capital raise after obtaining necessary regulatory approvals. These conditions as set out in note 2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, it is the intention of management to continue to operate the Company on a going concern basis for the foreseeable future.

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9 Rabi II 1435H  
9 February 2014

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

Expressed in Saudi Arabian Riyals

	Notes	31 December 2013	31 December 2012
Insurance Operations' Assets			
Cash and cash equivalents	6	10,399,606	15,650,978
Receivable from policyholders, net	7	45,452,179	50,022,175
Reinsurers' share of outstanding claims	8	20,704,786	24,653,297
Reinsurers' share of unearned premium	9	36,519,809	29,018,995
Deferred policy acquisition costs		9,402,704	7,707,726
Prepaid expenses	10	3,865,157	1,406,027
Available for sale investments	11	2,423,078	2,423,078
Advances and other receivables	12	6,668,524	1,046,883
Property and equipment, net	13	397,516	472,540
Intangible assets, net	13	1,656,627	2,208,645
Due from shareholders' operations	19	35,303,898	23,376,898
<b>Total Insurance Operations' Assets</b>		<b>172,793,884</b>	<b>157,987,242</b>
Shareholders' Assets			
Cash and cash equivalents	6	10,098,799	30,897,742
Available for sale investments	11	45,570,322	15,258,287
Advances and other receivables	12	930,001	8,901
Statutory deposit - Sukuk	18	10,800,035	15,800,035
<b>Total Shareholders' Assets</b>		<b>67,399,157</b>	<b>61,964,965</b>
<b>Total Assets</b>		<b>240,193,041</b>	<b>219,952,207</b>

The accompanying notes 1 to 34 form part of these financial statements.



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2013

Expressed in Saudi Arabian Riyals

	Notes	31 December 2013	31 December 2012
Insurance Operations' Liabilities			
Reinsurers' balances payable		9,492,315	16,022,701
Unearned premium income	9	95,451,644	80,210,643
Unearned commission income		1,192,183	1,552,502
Outstanding claims and reserves	8	49,767,188	44,978,585
Reserve for life insurance operations	14	1,516,730	1,341,850
Accrued expenses	15	2,608,406	2,920,371
Other liabilities	16	11,419,083	9,824,624
Employees' end of service benefits	17	1,346,335	1,135,966
<b>Total Insurance Operations' Liabilities</b>		<b>172,793,884</b>	<b>157,987,242</b>
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Accrued zakat	20.2	601,009	1,300,000
Accrued expenses	15	1,314,000	1,194,000
Other liabilities	16	700,035	700,035
Due to insurance operations	19	35,303,898	23,376,898
<b>Total Shareholders' Liabilities</b>		<b>37,918,942</b>	<b>26,570,933</b>
Shareholders' Equity			
Share capital	21	100,000,000	100,000,000
Accumulated deficit		(71,678,872)	(65,125,681)
Unrealized gain on available for sale investments		1,159,087	519,713
<b>Total Shareholders' Equity</b>		<b>29,480,215</b>	<b>35,394,032</b>
<b>Total Shareholders' Liabilities and Equity</b>		<b>67,399,157</b>	<b>61,964,965</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>240,193,041</b>	<b>219,952,207</b>

The accompanying notes 1 to 34 form part of these financial statements.



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

	Notes	31 December 2013	31 December 2012
Gross premiums written		196,868,814	162,460,476
Reinsurance ceded		(71,751,138)	(57,593,191)
Excess of loss premiums ceded		(3,195,272)	(2,841,268)
Net premiums written		121,922,404	102,026,017
Changes in unearned premium		(7,907,367)	(23,246,492)
Net premium earned		114,015,037	78,779,525
Reinsurance commission	12.1	6,789,540	7,505,533
Other investment income		175,090	14,312
<b>Underwriting revenue</b>		<b>120,979,667</b>	<b>86,299,370</b>
Gross claims paid		126,079,984	79,389,165
Reinsurers' share		(50,124,888)	(25,998,332)
Net claims paid		75,955,096	53,390,833
Changes in outstanding claims and reserves	22	8,751,992	3,045,272
Net claims incurred		84,707,088	56,436,105
Policy acquisition costs		18,387,357	15,070,164
Other underwriting expenses	23	7,657,359	5,240,507
<b>Total claims and other expenses</b>		<b>110,751,804</b>	<b>76,746,776</b>
Underwriting surplus		10,227,863	9,552,594
<b>General and administrative expenses</b>	24	<b>(21,644,246)</b>	<b>(22,134,015)</b>
<b>Net deficit for the year</b>		<b>(11,416,383)</b>	<b>(12,581,421)</b>
Transferred to shareholders' operations	5.23	11,416,383	12,581,421
<b>Net results for the year</b>		<b>--</b>	<b>--</b>

The accompanying notes 1 to 34 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

	Notes	31 December 2013	31 December 2012
Profit on sale of available for sale investments	26	4,435,943	--
Investment income		808,555	51,331
Commission income		1,219,509	--
		6,464,007	51,331
Directors' remuneration	24	(1,210,333)	(1,020,000)
General and administrative expenses	24	(390,482)	(450,584)
Net deficit transferred from insurance operations	5.23	(11,416,383)	(12,581,421)
<b>Net loss for the year before Zakat</b>		<b>(6,553,191)</b>	<b>(14,000,674)</b>
Provision for Zakat	20.2	--	(1,964,759)
<b>Net loss for the year</b>		<b>(6,553,191)</b>	<b>(15,965,433)</b>
<b>Basic and diluted loss per share</b>	<b>25</b>	<b>(0.66)</b>	<b>(1.60)</b>

The accompanying notes 1 to 34 form part of these financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
**(A Saudi Joint Stock Company)**

**STATEMENT OF COMPREHENSIVE RESULTS OF SHAREHOLDERS’ OPERATIONS**

**For the year ended 31 December 2013**

**Expressed in Saudi Arabian Riyals**

	31 December 2013	31 December 2012
Loss for the year	(6,553,191)	(15,965,433)
Changes in fair value of available for sale investments	639,374	235,432
<b>Total comprehensive loss for the year</b>	<b>(5,913,817)</b>	<b>(15,730,001)</b>

The accompanying notes 1 to 34 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

	Share capital	Accumulated deficit	Change in fair value of available for sale investments	Total shareholders' equity
Balance at 1 January 2012	100,000,000	(49,160,248)	284,281	51,124,033
Net loss for the year after Zakat	--	(15,965,433)	--	(15,965,433)
Other comprehensive income for the year	--	--	235,432	235,432
<b>Balance at 31 December 2012</b>	<b>100,000,000</b>	<b>(65,125,681)</b>	<b>519,713</b>	<b>35,394,032</b>
	--			
Balance at 1 January 2013	100,000,000	(65,125,681)	519,713	35,394,032
Net loss for the year after Zakat	--	(6,553,191)	--	(6,553,191)
Other comprehensive income for the year	--	--	639,374	639,374
<b>Balance at 31 December 2013</b>	<b>100,000,000</b>	<b>(71,678,872)</b>	<b>1,159,087</b>	<b>29,480,215</b>

The accompanying notes 1 to 34 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

	Note	31December2013	31December2012
OPERATING ACTIVITIES:			
Net results for the period		--	--
Adjustments for:			
Deficit transferred to Shareholders' operations		(11,416,383)	(12,581,421)
Employees' end of service benefits		210,369	433,371
Provision for doubtful debts		--	(1,500,000)
Amortization	13	571,002	611,317
Depreciation	13	354,360	414,507
		(10,280,652)	(12,622,226)
Changes in operating assets and liabilities:			
Receivable from policyholders, net		4,569,995	(13,780,623)
Reinsurers' share of outstanding claims		3,948,511	(9,809,722)
Reinsurers' share of unearned premium		(7,500,814)	(15,978,283)
Deferred policy acquisition costs		(1,694,978)	(2,323,627)
Prepaid expenses		(2,459,130)	144,432
Advances and other receivables		(5,621,641)	2,844,517
Reinsurers' balances payable		(6,530,386)	10,650,367
Unearned premium income		15,241,001	39,224,775
Unearned commission income		(360,319)	(1,203,928)
Outstanding claims		4,963,483	12,854,994
Accrued expenses		(311,965)	767,488
Other liabilities		1,594,459	2,041,415
Due from shareholders		(1,026,588)	(2,234,789)
<b>Net cash (used in)/ from operating activities</b>		<b>(5,469,024)</b>	<b>10,574,790</b>
INVESTING ACTIVITIES:			
Purchase of intangibles		(18,984)	(300,708)
Purchase of property and equipment		(279,336)	(2,247,585)
<b>Net cash used in investing activities</b>		<b>(298,320)</b>	<b>(2,548,293)</b>
FINANCING ACTIVITIES:			
Amount received from Shareholders' operations	19	515,972	5,000,000
<b>Net cash from investing activities</b>		<b>515,972</b>	<b>5,000,000</b>
(Decrease)/ increase in cash and cash equivalents during the period		(5,251,372)	13,026,497
Cash and cash equivalents, beginning of the year		15,650,978	2,624,481
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>10,399,606</b>	<b>15,650,978</b>

The accompanying notes 1 to 34 form part of these financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
(A Saudi Joint Stock Company)

**STATEMENT OF SHAREHOLDERS’ CASH FLOWS**

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

	Note	31 December 2013	31 December 2012
OPERATING ACTIVITIES:			
Net loss for the year before Zakat		(6,553,191)	(14,000,674)
Adjustments for:			
Profit on sale investment		(5,244,484)	--
Deficit transferred from Insurance operations		11,416,383	12,581,421
		(381,292)	(1,419,253)
Changes in operating assets and liabilities:			
Advances and other receivables		(921,100)	(8,901)
Accrued expenses		120,000	1,000,500
Zakat paid	20.2	(698,991)	(1,764,759)
Due to Insurance operations		1,026,588	2,234,789
Other liabilities		--	52,533
<b>Net cash (used in) / from operating activities</b>		<b>(854,795)</b>	<b>94,909</b>
INVESTING ACTIVITIES:			
Statutory deposit – Sukuk		5,000,000	(5,052,533)
Investments		(24,428,176)	(6,461,594)
<b>Net cash used in investing activities</b>		<b>(19,428,176)</b>	<b>(11,514,127)</b>
FINANCING ACTIVITIES:			
Amount paid to Insurance operations	19	(515,972)	(5,000,000)
<b>Net cash used in investing activities</b>		<b>(515,972)</b>	<b>(5,000,000)</b>
Decrease in cash and cash equivalents during the period		(20,798,943)	(16,419,218)
Cash and cash equivalents, beginning of the year		30,897,742	47,316,960
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>10,098,799</b>	<b>30,897,742</b>
Non-cash supplemental information:			
<b>Net change in the fair value of available for sale investments</b>		<b>639,374</b>	<b>235,432</b>

The accompanying notes 1 to 34 form part of these financial statements.

# **SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**

**(A Saudi Joint Stock Company)**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Indian Company for Cooperative Insurance “Wafa Insurance” (the “Company”) is a Saudi joint stock company as sanctioned by the Royal Decree No. M60 dated 18 Ramadan 1427H corresponding to October 9, 2006 (date of inception). The Company is registered in Riyadh with the Ministry of Commerce and Industry under commercial registration No.1010236705 dated 24/7/1428H corresponding to August 7, 2007. The Company’s registered office address is at Al-Maseef Dist., Northern Road between exit 5&6, PO Box: 341413, Riyadh 11333, Kingdom of Saudi Arabia.

The principal activities of the Company are to transact the cooperative insurance operations and all related activities including reinsurance and agency activities under the law of Supervision of Cooperative Insurance Companies and its bylaws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company is permitted to conduct its operations in the Kingdom of Saudi Arabia.

The Company has been granted the license (number TMN/14/20086) to practice all lines of insurance business on 6 Jumada II, 1429H corresponding to September 8, 2008 from Saudi Arabian Monetary Agency (“SAMA”). SAMA renewed the operational license for a further period of three years from 6 Jumada II, 1432 H corresponding to May 9, 2011. The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

### **2. BASIS OF PREPARATION**

These financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and on the historical cost basis except for revaluation of investments - available for sale, which are carried at fair value.

As at 31 December 2013 the Company has accumulated losses of SR 71.6 million (31 December 2012: SR 65.1 million) that is 71.6% of the share capital (31 December 2012: 65.1%). While approving these financial statements the Board of Directors has considered the financial position and future profitability of the Company and believe that the going concern basis used for preparation of these financial statements is appropriate. The Company is in a continuous process to improve its business performance in order to reduce its accumulated losses and to improve its capital deficiency through capital raise after approval from the relevant regulatory authorities and completion of respective formal procedures.

In accordance with Insurance Regulations, the Company is required to maintain minimum Solvency Margin. As at 31 December 2013, the solvency margin is less than the required minimum margin. The Company is in the process of submission of an action plan to SAMA to maintain the solvency margin. The Board of Directors is confident that the action plan will be considered favorably by SAMA.

### **3. BASIS OF PRESENTATION**

As required by the Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. The previous year figures have been regrouped and/or rearranged to make them comparable with current year figures.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Arabian Riyals (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2012, except for the adoption of the following new standards and other amendments to existing standards mentioned below which had no financial impact on the financial statements of the Company.

- IFRS 7 - Offsetting Financial Assets and Financial Liabilities, the new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments have not impacted the Company's financial position or performance.
- IAS 1- Presentation of Items of Other Comprehensive Income, the amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time. The amendment had no impact on the Company's financial position or performance.

In addition to the above, the Company has chosen not to early adopt IFRS 9 - Financial instruments, which has been published and may also be early adopted, but will not be effective until 1 January 2017.

#### New Standard

IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The adoption of IFRS 13 has only resulted in additional disclosures as given in note 29.8.

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

#### 5.1 Use of estimates in the preparation of financial statements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### a) Ultimate liability arising from claims made under insurance contracts

It is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

#### b) Impairment in available-for-sale equity

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

#### c) Impairment in insurance receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms.

### 5.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and balances with banks including call and time deposits with less than three months maturity from the date of acquisition.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### 5.3 Receivable from policyholders, net

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable.

##### 5.4 Deferred policy acquisition costs

Brokerage commissions and other costs of acquiring insurance contracts that are primarily related to securing new contracts and renewing existing contracts are deferred and amortized on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

##### 5.5 Property and equipment and intangibles

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their expected useful lives which are summarized as follows:

	Years
Furniture and fixtures	10
Office equipment and other assets	4
Computer hardware	4
Computer Software	4
Motor vehicles	4

Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Assets costing less than SR 3,000/- are depreciated at the rate of 100% in the year of acquisition. Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of the asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of insurance operations under other general and administrative expenses.

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the same. These costs are amortized on the basis of the software's expected useful life.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.6 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and, except for investments held at fair value through income statement (if any), includes acquisition charges associated with the investment.

Available for sale investments are subsequently measured at market value. Net unrealized gains or losses are shown as a separate component in shareholders' equity and as other comprehensive income in the related statements of shareholders' comprehensive income or insurance operations. Realized gains or losses on sale of these investments are reported in the related statements of shareholders' operations or insurance operations.

#### 5.7 Impairment of reinsurance and other financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts.

#### 5.8 Impairment of other non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### 5.9 Zakat and taxes

The Company's Saudi shareholders are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (“DZIT”). An estimate of zakat arising therefrom is accrued and charged to the statement of shareholders' operations.

The Company's non-Saudi shareholders are subject to income tax in accordance with the regulations of DZIT as applicable in the Kingdom of Saudi Arabia. An estimate of income tax arising from is accrued and charged to the statement of shareholders' operations.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

##### 5.10 Other provisions

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events and it more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

##### 5.11 Legal reserve

In accordance with the Company's Articles of Association and in compliance with Article 70 (2g) of the Implementing Regulations for Cooperative Insurance of SAMA, the Company allocates 20% of the net income each year to the legal reserve until it has built up a reserve equal to the capital. Since the Company has incurred loss, no such provision for legal reserve has been made in current year.

##### 5.12 Recognition of premium and reinsurance commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks proportionally over the period of coverage. Premiums are shown before deduction of commission. The portion of premium and commission that will be earned in the future is reported as unearned premium and commission, respectively, and is deferred on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

##### 5.13 Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Income from investments is principally earned from Shariah Compliant Funds.

Commission income from short-term deposits are recognized on a time proportion basis using the effective interest rate method.

##### 5.14 Dividend income

Dividend income is recognized when the right to receive payment is established.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### 5.15 Reinsurance

In the ordinary course of business, the Company cedes insurance premium and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operation's statement of financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance are estimated in a manner consistent with the claim liability associated with the insured parties.

##### 5.16 Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the date of statement of financial position together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. The IBNR is calculated based on the recommendation of an independent actuary.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The outstanding claims are shown on a gross basis and the related share of reinsurance is shown separately.

##### 5.17 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision). Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

##### 5.18 Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.19 De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### 5.20 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and shareholders' operations unless required or permitted by any accounting standard or interpretation.

#### 5.21 Operating leases

Payments made under operating leases, which were not significant for the years ended December 31, 2013 and 2012, are charged to the statements of insurance operations on a straight-line basis according to the terms of the rental contracts. There were no significant rental commitments at December 31, 2013.

#### 5.22 Foreign currency transactions

The Company's books of account are maintained in Saudi Riyals which is also the functional currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the statement of financial position date. All differences are taken to the statements of insurance operations. Foreign exchange differences are not significant and have not been disclosed separately.

#### 5.23 Surplus from insurance operations

In accordance with the requirements of the implementing regulations issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' operations, while 10% of the net surplus is distributed to policyholders. However, in the case of loss, SAMA has directed the Company to transfer the whole amount to the statement of shareholders' operations.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.24 Segmental information

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purpose, the Company is organized into business units based on their products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

### 6. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Insurance Operations:		
Cash in hand	3,919	5,075
Balance in current account	10,395,687	15,645,903
	<b>10,399,606</b>	<b>15,650,978</b>
Shareholders:		
Balance in current account	10,098,799	897,742
Balance in time deposits	--	30,000,000
	<b>10,098,799</b>	<b>30,897,742</b>

### 7. RECEIVABLE FROM POLICYHOLDERS, NET

	31 December 2013	31 December 2012
Gross receivables arising from insurance contracts:	51,014,997	58,084,993
Less: provision for doubtful debts	(5,562,818)	(8,062,818)
<b>Net receivables</b>	<b>45,452,179</b>	<b>50,022,175</b>

The movement in the provision for doubtful debts of premium receivables is as follows:

	31 December 2013	31 December 2012
Balance, January 1	8,062,818	9,562,818
(Release) / provision during the year	(2,500,000)	(1,500,000)
<b>Balance, December 31</b>	<b>5,562,818</b>	<b>8,062,818</b>

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 7. RECEIVABLE FROM POLICYHOLDERS, NET (Continued)

As at December 31, the ageing of receivable from policyholders is as follows:

	Neither past due nor impaired	Past due and impaired			Total
		91 – 180 Days	181 – 365 Days	More than 365 days	
	SR	SR	SR	SR	SR
2013	30,547,351	3,611,970	10,788,174	6,067,502	51,014,997
2012	28,627,258	17,961,231	6,511,948	4,984,556	58,084,993

The Company classifies balances as “past due and impaired” on case by case basis and an impairment adjustment is recorded in the statement of insurance operations.

Subsequent to the year-end SR 2.5 million was collected which relates to balances overdue “more than 365 days” which were fully provided in the 4th quarter 2013 financial statements but have now been reversed based on up to date collection information.

Receivables comprise a large number of customers. The receivables are shown on gross basis without any allowance or rebates to customers. Due from policyholders includes an amount of Saudi Riyals 7.86 million (2012: Saudi Riyals 13.88 million) that is due from brokers, through whom the business is booked for the policyholders. The receivables are from customers within the Kingdom of Saudi Arabia and are due only in Saudi Riyals.

### 8. OUTSTANDING CLAIMS AND RESERVES

	31 December 2013	31 December 2012
Gross Insurance liabilities:		
Claims reported unsettled	15,579,357	25,354,909
Claims incurred but not reported (IBNR)	28,830,971	17,559,261
Premium Deficiency Reserve	5,256,860	1,935,996
Catastrophe Reserve	100,000	100,000
Unexpired Risk Reserve	--	28,419
<b>Total</b>	<b>49,767,188</b>	<b>44,978,585</b>
Recoverable from reinsurers:		
Claims reported unsettled	6,471,419	15,581,393
Claims incurred but not reported	14,233,367	9,071,904
<b>Total</b>	<b>20,704,786</b>	<b>24,653,297</b>



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### 8. OUTSTANDING CLAIMS AND RESERVES (Continued)

	31 December 2013	31 December 2012
Net insurance liabilities:		
Claims reported unsettled	9,107,937	9,773,516
Claims incurred but not reported (IBNR)	17,065,737	8,487,357
Premium deficiency reserve	5,256,860	1,935,996
Catastrophe reserve	100,000	100,000
Unexpired risk reserve	--	28,419
	<b>31,530,534</b>	<b>20,325,288</b>

#### 8.1 CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative gross claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims triangulation analysis is by accident years spanning a number of financial years.

2013	2010 & earlier	2011	2012	2013	Total
Accident year					
Estimate of ultimate claims cost:					
At the end of accident year	98,599,354	71,302,140	95,595,844	113,532,877	379,030,215
One year later	79,091,377	64,660,592	102,585,452	--	--
Two years later	79,706,472	69,285,238	--	--	--
Three years later	80,747,193	--	--	--	--
Current estimate of cumulative claims	80,747,193	69,285,238	102,585,452	113,532,877	366,150,760
Cumulative payments to date	71,594,036	67,048,787	97,878,597	79,862,153	316,383,573
Liability recognized in statement of financial position	9,153,157	2,236,451	4,706,855	33,670,724	49,767,188
<b>Total liability included in statement of financial position</b>					<b>49,767,188</b>

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### 8.1) CLAIMS DEVELOPMENT TABLE (Continued)

2012 Accident year	2009 & earlier	2010	2011	2012	Total
Estimate of ultimate claims cost:					
At the end of accident year	65,170,994	34,558,556	73,080,040	99,796,353	272,605,943
One year later	47,174,090	33,151,059	66,438,492	--	--
Two years later	47,534,596	32,885,060	--	--	--
Three years later	46,836,693	--	--	--	--
Current estimate of cumulative claims	46,800,693	32,885,060	66,438,492	99,796,353	245,920,598
Cumulative payments to date	46,768,965	32,712,511	64,387,188	57,073,349	200,942,013
Liability recognized in statement of financial position	31,728	172,549	2,051,304	42,723,004	44,978,585
<b>Total liability included in statement of financial position</b>					<b>44,978,585</b>

The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

## 9. UNEARNED PREMIUM INCOME

Unearned premium are comprised of the following:

	31 December 2013	31 December 2012
Gross unearned premium income	95,451,644	80,210,643
Reinsurers' share of unearned premium income	(36,519,809)	(29,018,995)
<b>Net unearned premium income</b>	<b>58,931,835</b>	<b>51,191,648</b>

## 10. PREPAID EXPENSES

Prepaid expenses are comprised of the following:

	31 December 2013	31 December 2012
Insurance Operations:		
Rent of office & residential premises	2,084,530	645,325
IT related prepaid	65,450	--
Withholding tax receivable	1,715,177	760,702
<b>Total</b>	<b>3,865,157</b>	<b>1,406,027</b>

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**11. AVAILABLE FOR SALE INVESTMENTS**

	31 December 2013	31 December 2012
Insurance Operations:		
Unquoted securities		
Balance at 1 January and 31 December	1,923,078	1,923,078
Shariah Compliant Fund		
Balance at 1 January and 31 December	500,000	500,000
	<b>2,423,078</b>	<b>2,423,078</b>

	31 December 2013	31 December 2012
Shareholders' Operations:		
Shariah Compliant Funds		
Saudi ORIX Sukuk	5,000,000	5,000,000
Riyadh Capital (Commodity Trading Fund)	8,703,314	8,636,431
Alkhair Capital (Discretionary Portfolio )	30,000,000	--
Quoted securities		
Al Tayyar travel group shares	--	1,621,856
Bawan Shares	1,867,008	--
	<b>45,570,322</b>	<b>15,258,287</b>

**12. ADVANCES AND OTHER RECEIVABLES**

		31 December 2013	31 December 2012
Insurance Operations:			
Advances to hospitals		250,000	250,000
Others		468,484	159,383
Najm for Insurance Services		481,203	--
Advance to actuary		637,500	637,500
Advance to employees		734,562	--
Advances to Globe Med		1,000,000	--
Profit Commission receivable	12.1	3,096,775	--
		<b>6,668,524</b>	<b>1,046,883</b>

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- 12.1 This includes SR 2.49 million of profit commission income receivable from a reinsurer on account of profit sharing agreement based on management's best estimate which in the fourth quarter 2013 financial statements amounted to SR 7.55 million. The adjustment is due to the availability of recent and more accurate information.

	31 December 2013	31 December 2012
Shareholders' Operations:		
Accrued profit on time deposits	930,001	8,901

## 13. PROPERTY AND EQUIPMENT AND INTANGIBLES - NET

	31 December 2013	31 December 2012
Owned assets – tangible, net	397,516	472,540
Owned assets – intangible, net	1,656,627	2,208,645
	<b>2,054,143</b>	<b>2,681,185</b>

	Tangible assets					Intangible assets	
2013							
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2013	1,530,886	693,713	932,700	373,315	3,530,614	6,681,284	10,211,898
Additions	79,499	112,000		87,837	279,336	18,984	298,320
At 31 December 2013	1,610,385	805,713	932,700	461,152	3,809,950	6,700,268	10,510,218
Accumulated depreciation and amortization:							
At 1 January 2013	1,415,629	449,414	909,194	283,837	3,058,074	4,472,639	7,530,713
Charge for the year	107,726	118,264	23,506	104,864	354,360	571,002	925,362
At 31 December 2013	1,523,355	567,678	932,700	388,701	3,412,434	5,043,641	8,456,075
Net book value							
31 December 2013	87,030	238,035	--	72,451	397,516	1,656,627	2,054,143

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	Tangible assets					Intangible assets	
2012							
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2012	1,460,182	550,598	951,800	286,060	3,248,640	4,433,699	7,682,339
Additions	78,593	143,115	--	90,869	312,577	2,247,585	2,560,162
Disposals	(7,889)	--	(19,100)	(3,614)	(30,603)	--	(30,603)
At 31 December 2012	1,530,886	693,713	932,700	373,315	3,530,614	6,681,284	10,211,898
Accumulated depreciation and amortization:							
At 1 January 2012	1,232,749	358,882	848,488	222,182	2,662,301	3,861,322	6,523,623
Charge for the year	189,727	90,532	69,000	65,248	414,507	611,317	1,025,824
Disposals	(6,847)	--	(8,294)	(3,593)	(18,734)	--	(18,734)
At 31 December 2012	1,415,629	449,414	909,194	283,837	3,058,074	4,472,639	7,530,713
Net book value							
31 December 2012	115,257	244,299	23,506	89,478	472,540	2,208,645	2,681,185

## 14. MATHEMATICAL PROVISION FOR LIFE INSURANCE OPERATIONS

The mathematical provision for life insurance contracts at December 31, 2013 were certified by an independent actuary, whose report states that the mathematical provisions are computed in a manner that conforms to the appropriate actuarial standards of practice and meet adequately the Company's liabilities arising from its entire life insurance business cycle.

The movement in the mathematical provision during the year is as follows:

	31 December 2013	31 December 2012
Balance at 1 January 2013	1,341,850	1,341,850
Additional provision/ released during the year	174,880	--
<b>Balance at 31 December 2013</b>	<b>1,516,730</b>	<b>1,341,850</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 15. ACCRUED EXPENSES

	31 December 2013	31 December 2012
Insurance Operations:		
Professional fees	530,665	346,630
Third party administration (TPA) / Council of Cooperative Health Insurance (CCHI) fee	1,626,350	1,707,989
SAMA fee	330,143	248,802
Software development	121,248	616,950
	<b>2,608,406</b>	<b>2,920,371</b>

	31 December 2013	31 December 2012
Shareholders' Operations:		
Chairman and Directors' remuneration	1,140,000	1,020,000
Board attendance fees	105,000	105,000
Executive committee attendance fees	12,000	12,000
Audit committee attendance fees	57,000	57,000
	<b>1,314,000</b>	<b>1,194,000</b>

### 16. OTHER LIABILITIES

	31 December 2013	31 December 2012
Insurance Operations:		
Withholding tax payable	11,509	10,575
Sundry creditors and stale cheques	365,641	226,115
Agents and Salesmen commission payable	1,470,886	3,355,750
Brokerage payable	9,571,047	6,220,693
Other	--	11,491
	<b>11,419,083</b>	<b>9,824,624</b>

	31 December 2013	31 December 2012
Shareholders' Operations:		
<b>Sundry creditors</b>	<b>700,035</b>	<b>700,035</b>

Sundry creditors in shareholders' operations represents the profit accrued on the statutory deposit and Sukuk (refer to note 18).

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 17. EMPLOYEES’ END OF SERVICE BENEFITS

	31 December 2013	31 December 2012
Balance at 1 January	1,135,966	702,595
Provision during the year	450,721	615,454
Payments during the year	(240,352)	(182,083)
<b>Balance at 31 December</b>	<b>1,346,335</b>	<b>1,135,966</b>

#### 18. STATUTORY DEPOSIT-SUKUK

In accordance with Article 58 of the Implementing Regulations for Cooperative Insurance, the Company has deposited an amount of SR 10,100,000 (SAR 10,800,035 including profit) (31 Dec 2012: SAR 15,800,035 including profit) with Riyadh Bank that has been invested in Sukuks. This deposit had an original maturity of 15 July 2027 with an early maturity option on 15 July 2012 which was not exercised by the Company. However, the Company is not allowed to withdraw any portion of the original deposit or the profit unless an approval is obtained from SAMA. Profit accrued of SAR 700,035 (Dec 2012: SAR 700,035) has been added in Statutory Deposit and the corresponding profit amount is shown in other liabilities (Note 16).

#### 19. DUE FROM SHAREHOLDERS’ OPERATIONS:

The movement in amount due from shareholders’ operations is as follows:

	31 December 2013	31 December 2012
Balance at 1 January	23,376,898	13,560,689
Balance transferred to Insurance operations	(515,972)	(5,000,000)
Amounts paid from Insurance Operations:		
Tadawul Fee	180,000	180,000
Zakat Payment	698,991	1,764,759
Directors travelling and Board meeting expenses	147,598	290,029
	<b>23,887,515</b>	<b>10,795,477</b>
Share of deficit from insurance operations	11,416,383	12,581,421
<b>Balance at December 31</b>	<b>35,303,898</b>	<b>23,376,898</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 20. COMPONENTS OF ZAKAT BASE

In accordance with the regulations of the DZIT, the Company is subject to zakat. The Company have not booked any additional provision for the current year as the Company already have sufficient provision brought forward from last year.

#### 20.1 Zakat base summary is as follows:

	31 December 2013	31 December 2012
Shareholders' equity at beginning of year	100,000,000	100,000,000
Accumulated deficit at beginning of year, as adjusted for non deductible items	(65,125,681)	(49,160,248)
Provisions	9,654,328	9,249,632
Net loss for the year, as adjusted for Non - deductible items	(4,380,498)	(11,606,672)
Investments	(28,793,435)	(3,544,934)
Property and equipment – net	(4,375,571)	(3,168,264)
Prior years' adjustments	--	--
<b>Total</b>	<b>6,979,143</b>	<b>41,769,514</b>
<b>Zakat base for Saudi shareholders at 69%</b>	<b>4,815,609</b>	<b>28,820,965</b>
<b>Zakat at 2.5%</b>	<b>120,390</b>	<b>720,524</b>

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders.

#### 20.2 Provision For Zakat

	31 December 2013	31 December 2012
Balance at 1 January	1,300,000	1,100,000
Provision during the year	--	1,964,759
Payments during the year	(698,991)	(1,764,759)
<b>Balance at 31 December</b>	<b>601,009</b>	<b>1,300,000</b>

#### 1.1.1 Zakat and tax assessment status

The Company has filed zakat and tax return with the Department of Zakat and Income Tax (DZIT) for the year 2012 but the final assessment has not been raised yet by the DZIT.

#### 20.3 Tax

The Company has not recorded any income tax provision since the Company recognized a net loss for the years ended December 31, 2013 and December 31, 2012.

#### 1.1.2 20.3.1 Temporary and permanent differences and other matters

Temporary and permanent differences principally comprise of adjustment for depreciation, provisions and other items under the income tax regulations. Deferred tax arising out of temporary differences was not significant and, accordingly, was not recorded as of December 31, 2013 and 2012.

Deferred tax asset arising out of carry forward losses is not recognized as the future recoverability of such tax benefit is uncertain at year-end.



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**21. SHARE CAPITAL**

	31 December 2013	31 December 2012
Authorised:		
10,000,000 shares of SR 10 each	100,000,000	100,000,000
Allotted, issued and fully paid		
10,000,000 shares of SR 10 each	100,000,000	100,000,000

At 31 December 2013 and 2012, the share capital of the Company was held by the following shareholders:

	Percentage	No. of shares
The New India Assurance Co. Ltd.	10.60%	1,060,000
Life Insurance Corporation of India	10.20%	1,020,000
LIC (International) BSC	10.20%	1,020,000
Local shareholders and general public	69.00%	6,900,000

**22. CHANGES IN OUTSTANDING CLAIMS AND RESERVES**

	31 December 2013	31 December 2012
Changes in premium deficiency & other reserves	1,001,665	739,526
Changes in mathematical provision for life reserves	174,880	--
Changes in outstanding claims	7,575,447	2,305,746
	<b>8,751,992</b>	<b>3,045,272</b>

**23. OTHER UNDERWRITING EXPENSES**

	31 December 2013	31 December 2012
CCHI fees at 1% of gross health premium	1,218,067	763,569
Third Party Administrator charges	4,981,467	4,278,254
Medical and motor cards	253,571	85,250
Withholding tax on reinsurance premium	219,910	(698,868)
SAMA fees at 0.5% of gross written premium	984,344	812,302
	<b>7,657,359</b>	<b>5,240,507</b>

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#### 24. GENERAL AND ADMINISTRATIVE EXPENSES

Expenses for the year are comprised of the following:

	Note	31 December 2013	31 December 2012
Insurance Operations:			
Operating and administrative salaries and benefits		18,344,086	17,474,258
Advertisement and publicity		454,727	292,180
Rent		1,182,743	1,297,045
Depreciation and amortization	13	925,362	1,025,824
Professional fees		1,053,975	1,116,727
Travel expenses		303,053	319,496
Car maintenance		40,538	69,859
Office supplies and printing and stationery		577,068	712,119
Release of provision of doubtful debts		(2,500,000)	(1,500,000)
IT expenses		1,262,694	1,116,295
Penalty paid to CMA		--	100,000
Other expenses		--	110,212
		<b>21,644,246</b>	<b>22,134,015</b>

		31 December 2013	31 December 2012
Shareholders' Operations:			
Directors remuneration	24.1	1,210,333	1,020,000
Sitting Fees to Board and Committees		174,000	174,000
Tadawul fee		180,000	180,000
Directors travelling & other expenses		36,482	96,584
Total expenses		390,482	450,584

**24.1 This relates to provision for the Board of Directors remuneration for the year ended 31 December 2013.**

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#### 25. BASIC AND DILUTED LOSS PER SHARE

	31 December 2013	31 December 2012
Net loss for the year after Zakat	(6,553,191)	(15,965,433)
Weighted average number of shares in issue throughout the year	10,000,000	10,000,000
Basic and diluted loss per share	(0.66)	(1.60)

Basic loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the date of statement of financial position. As of December 31, 2013 the Company has not issued any instruments which would have an impact on earnings (loss) per share when exercised.

#### 26. PROFIT ON SALE OF INVESTMENTS

During the current year, the Company sold its available for sale investment, acquired during the period in a local listed company and realized a gain of SR 3.4 million. In addition to this, the Company disposed shares in a listed company during the current year and realized a gain of SR 1 million.

#### 27. RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Nature of transaction	Note	Amount of transaction		Balance	
			31 December 2013 (Unaudited)	31 December 2012 (Audited)	31 December 2013 (Unaudited)	31 December 2012 (Audited)
The New India Assurance Company Limited (Shareholder)	Other liability		9,692	10,500	21,183	11,491
	Reinsurance premium ceded		155,485	1,132,534	2,103,556	368,770
	Reinsurance commission		35,464	72,163	420,711	91,985
	Reinsurer's share of outstanding claims		772,494	443,102	3,415,107	429,189
Directors and Executive Committee	Remuneration	15	1,140,000	1,020,000	1,140,000	1,020,000
Directors and Executive Committee	Meeting attendance fee		174,000	30,000	174,000	174,000

#### 28. INSURANCE RISKS

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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#### 28. INSURANCE RISKS (Continued)

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

##### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the average loss ratio with all other assumptions held constant showing the impact on liabilities and net loss.

December 31, 2013	Change in assumptions	Impact on liabilities	Impact on net loss
Claims ratio	+5%	378,772	378,772
	-5%	(378,772)	(378,772)

December 31, 2012	Change in assumptions	Impact on liabilities	Impact on net loss
Claim ratio	+5%	115,287	115,287
	-5%	(115,287)	(115,287)

##### Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under proportional treaties such as quota share with surplus and non-proportional treaties such as excess of loss.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. As shown in Note 8, the Company has reduced its claims payable by the expected recoveries from reinsurance as at December 31, 2013 by Saudi Riyals 20.70 million (2012: Saudi Riyals 24.65 million)

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## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the statement of financial position include financial assets, financial liabilities, reinsurance assets and insurance liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 29.1 Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”). The Company's current paid up capital is in accordance with Article 3 of the Insurance Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In the Kingdom of Saudi Arabia solvency regulations and the minimum capital requirements are set and regulated by the Saudi Arabian Monetary Agency (“SAMA”). Refer note 2 to these financial statements.

### 29.2 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investee.

A 5% change in the prices of the quoted securities, with all other variables held constant, would impact shareholders equity by Saudi Riyals 528,516 (2012: Saudi Riyals 512,914). There would be no impact on the statement of insurance operations as all investments in securities are classified as ‘available-for-sale’.

### 29.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Management believes that the currency risk is not material.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 29.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

15% of the Company's receivables are due from one broker as at December 31, 2013 (2012: 24%).

Key areas where the Company is exposed to credit risk are:

- Re-insurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

Reinsurance is used to manage insurance risk. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

The credit risk on liquid funds is limited because most of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Ongoing credit evaluation is performed on the financial condition of the insurance receivables.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 29.4) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the financial position as at 31 December:

	31 December 2013	31 December 2012
Insurance Operations' Assets		
Cash and cash equivalents	10,399,606	15,650,978
Receivables, net	45,452,179	50,022,175
Reinsurers' share of outstanding claims	20,704,786	24,653,297
Reinsurers' share of unearned premium	36,519,809	29,018,995
Investments	2,423,078	2,423,078
Advances and other receivables	6,668,524	1,046,883
Due from shareholders' operations	35,303,898	23,376,898
<b>Total</b>	<b>157,471,880</b>	<b>146,192,304</b>

	31 December 2013	31 December 2012
Shareholders' Assets		
Cash and cash equivalents	10,098,799	30,897,742
Investments	45,570,322	15,258,287
Advances and other receivables	930,001	8,901
Statutory deposit – Sukuk	10,800,035	15,800,035
<b>Total</b>	<b>67,399,157</b>	<b>61,964,965</b>

### 29.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on regular basis that sufficient funds are available to meet any future commitments as well as obtaining continued financial support from shareholders (if needed). A significant amount of funds are invested in term deposits with local banks.

All term deposits held by the Company at the statement of financial position date have original maturity periods not exceeding three months.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining contractual obligations.

	31 December 2013			31 December 2012		
	Less than 1 year	No term	Total	Less than 1 year	No term	Total
Insurance Operations:						
Reinsurers' balance payable	9,492,315		9,492,315	16,022,701	--	16,022,701
Accrued expenses	2,608,406		2,608,406	2,920,371	--	2,920,371
Other liabilities	11,419,083		11,419,083	9,824,624	--	9,824,624
End of service benefits		1,346,335	1,346,335	--	1,135,966	1,135,966
	<b>23,519,804</b>	<b>1,346,335</b>	<b>24,866,139</b>	<b>28,767,696</b>	<b>1,135,966</b>	<b>29,903,662</b>
Shareholders Operations:						
Accrued expenses	1,314,000		1,314,000	1,194,000	--	1,194,000
Other liabilities		700,035	700,035	--	700,035	700,035
<b>Total</b>	<b>24,833,804</b>	<b>2,046,370</b>	<b>26,880,174</b>	<b>29,961,696</b>	<b>1,836,001</b>	<b>31,797,697</b>

#### 29.6 Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed interest rate instruments expose the Company to fair value commission risk.

The Company is exposed to commission rate risk on its term-deposits. Term-deposits attract yield at market rates but the Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its term-deposits are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders equity to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2013		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	--
	- 50 basis points	--
31 December 2012		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	SR 149,589
	- 50 basis points	SR (149,589)



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 29.7 Geographical concentration of risk

All of the Company's insurance risks related to insurance policies are written in the Kingdom of Saudi Arabia.

#### 29.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements.

Investments held-to-maturity comprise of Statutory deposit – Sukuk amounting to SR 10,800,035, there is no change in the fair value of Statutory deposit – Sukuk.

	Carrying Amount	Fair Value
Financial assets		
Held to maturity investments (Statutory deposit – Sukuk)	10,800,035	10,800,035

#### Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in active market for the identical instrument (i.e., without modification or adjustment),

Level 2: Quoted market prices in active market for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as of 31 December 2013 based on the fair value hierarchy:

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

31 December 2013	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	--	--	2,423,078	2,423,078
- Shareholders' operations	10,570,322	--	35,000,000	45,570,322
<b>Total</b>	<b>10,570,322</b>	<b>--</b>	<b>37,423,078</b>	<b>47,993,400</b>
31 December 2012	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	--	--	2,423,078	2,423,078
- Shareholders' operations	10,258,287	--	5,000,000	15,258,287
<b>Total</b>	<b>10,258,287</b>	<b>--</b>	<b>7,423,078</b>	<b>17,681,365</b>

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

31 December 2013 (Unaudited)	Balance 1 January 2013	Purchases	Sales/ withdrawal	Total gain or loss		Balance 31 December 2013
				in profit or loss	in other comprehensive income	
Insurance operations	2,423,078	--	--	--	--	2,423,078
Shareholders operations	5,000,000	35,000,000	(5,000,000)	--	--	35,000,000
<b>Total</b>	<b>5,000,000</b>	<b>35,000,000</b>	<b>(5,000,000)</b>	<b>--</b>	<b>--</b>	<b>37,423,078</b>

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the twelve month period ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair value increase of SR 639,374, is recorded in statement of comprehensive results of shareholder's operations.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

#### 30. CREDIT QUALITY OF INVESTMENTS

Investments	31 December 2013		31 December 2012	
		Rating		Rating
Insurance Operations:				
Available for sale				
Equity	1,923,078	Unrated	1,923,078	Unrated
Sharia Compliant Fund -				
Saudi Hollandi Bank	500,000	Unrated	500,000	Unrated
	2,423,078		2,423,078	
Shareholders' Operations:				
Available for sale				
Equity	1,867,008	Unrated	1,621,856	Unrated
Sharia Compliant Fund -				
Riyad Capital	8,703,314	Unrated	8,636,431	Unrated
Al Khair Capital	30,000,000	Unrated		
Saudi ORIX	5,000,000	Unrated	5,000,000	Unrated
Statutory deposit – Riyad Bank	10,800,035	A+	15,800,035	A+
	56,370,357		31,058,322	

The ratings have been obtained from the external rating agencies.

#### 31. CONTINGENCIES AND COMMITMENTS

The Company has no contingent liabilities and financial commitments as at December 31, 2013.

#### 32. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, receivables, prepaid expenses, investments, advances and other receivables, due from shareholders' operations and property and equipment. Accordingly, they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, unearned commission income, employees' end of service benefits, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under the related segments and are monitored on a centralized basis.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 32. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2013

	Motor	Health	Others	Total
Gross premiums written	53,937,404	121,806,722	21,124,689	196,868,814
Reinsurance ceded	--	(55,370,234)	(16,380,904)	(71,751,138)
Excess of loss premiums ceded	(2,080,164)	--	(1,115,109)	(3,195,272)
Net premium written	51,857,240	66,436,488	3,628,676	121,922,404
Changes in unearned premium	9,130,260	(16,897,240)	(140,387)	(7,907,367)
Net premium earned	60,987,500	49,539,248	3,488,289	114,015,037
Reinsurance commissions	--	2,599,438	4,190,102	6,789,540
Other investment income	175,090	--	--	175,090
<b>Underwriting revenue</b>	<b>61,162,590</b>	<b>52,138,686</b>	<b>7,678,391</b>	<b>120,979,667</b>
Gross claims paid	54,108,212	52,790,658	19,181,115	126,079,984
Reinsurers' share	(1,382,834)	(31,775,349)	(16,966,706)	(50,124,888)
Net claims paid	52,725,378	21,015,309	2,214,409	75,955,096
Changes in outstanding claims and reserves – net	4,458,943	5,020,451	(727,402)	8,751,992
Net claims incurred	57,184,321	26,035,760	1,487,007	84,707,088
Policy acquisition costs	7,221,135	7,834,876	3,331,346	18,387,357
Other underwriting expenses	313,814	7,022,398	321,147	7,657,359
<b>Total claims and other expenses</b>	<b>64,719,270</b>	<b>40,893,034</b>	<b>5,139,500</b>	<b>110,751,804</b>
Underwriting surplus/ (deficit)	(3,556,680)	11,245,652	2,538,891	10,227,863
General and administrative expenses	(5,386,138)	(13,164,961)	(3,093,148)	(21,644,246)
<b>Net surplus/ (deficit) for the period</b>	<b>(8,942,818)</b>	<b>(1,919,309)</b>	<b>(554,257)</b>	<b>(11,416,383)</b>

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

### 32. SEGMENTAL INFORMATION (Continued)

As at 31 December 2013

	Motor	Health	Others	Total
Assets:				
Reinsurance share of outstanding claims	--	13,294,412	7,410,374	20,704,786
Reinsurance share of unearned premium	--	32,086,827	4,432,982	36,519,809
Deferred policy acquisition costs	2,318,663	6,219,835	864,206	9,402,704
Unallocated assets	--	--	--	106,166,585
<b>Total assets</b>				<b>172,793,884</b>
Liabilities:				
Unearned premium income	19,027,725	70,969,575	5,454,344	95,451,644
Outstanding claims	17,168,874	23,135,353	9,462,961	49,767,188
Reserve for life insurance operations	--	--	1,516,730	1,516,730
Unallocated liabilities	--	--	--	26,058,322
<b>Total liabilities</b>				<b>172,793,884</b>

For the year ended 31 December 2012

	Motor	Health	Others	Total
Gross premiums written	59,660,971	76,356,948	26,442,557	162,460,476
Reinsurance ceded	--	(36,189,152)	(21,404,039)	(57,593,191)
Excess of loss premiums ceded	(2,137,299)	--	(703,969)	(2,841,268)
Net premium written	57,523,672	40,167,796	4,334,549	102,026,017
Changes in unearned premium	(8,769,906)	(15,086,586)	610,000	(23,246,492)
Net premium earned	48,753,766	25,081,210	4,944,549	78,779,525
Reinsurance commissions	--	(344,053)	7,849,586	7,505,533
Other Investment Income	--	--	14,312	14,312
<b>Underwriting revenue</b>	<b>48,753,766</b>	<b>24,737,157</b>	<b>12,808,447</b>	<b>86,299,370</b>
Gross claims paid	43,524,170	26,944,221	8,920,774	79,389,165
Reinsurers' share	(499,822)	(17,086,780)	(8,411,730)	(25,998,332)
Net claims paid	43,024,348	9,857,441	509,044	53,390,833
Changes in outstanding claims and reserves – net	416,995	1,430,402	1,197,875	3,045,272
Net claims incurred	43,441,343	11,287,843	1,706,919	56,436,105
Policy acquisition costs	7,069,112	3,637,863	4,363,189	15,070,164
Other underwriting expenses	309,805	4,754,947	175,755	5,240,507
<b>Total claims and other expenses</b>	<b>50,820,260</b>	<b>19,680,653</b>	<b>6,245,863</b>	<b>76,746,776</b>
Underwriting surplus/ (deficit)	(2,066,494)	5,056,504	6,562,584	9,552,594
General and administrative expenses	(8,080,486)	(9,870,094)	(4,183,435)	(22,134,015)
<b>Net surplus/ (deficit) for the period</b>	<b>(10,146,980)</b>	<b>(4,813,590)</b>	<b>2,379,149</b>	<b>(12,581,421)</b>

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

Expressed in Saudi Arabian Riyals

#### 32. SEGMENTAL INFORMATION (Continued)

As at 31 December 2012

	Motor	Health	Others	Total
Assets:				
Reinsurance share of outstanding claims	--	7,980,565	16,672,732	24,653,297
Reinsurance share of unearned premium	--	23,234,741	5,784,254	29,018,995
Deferred policy acquisition costs	3,166,768	3,569,480	971,478	7,707,726
Unallocated assets	--	--	--	96,607,224
<b>Total assets</b>				<b>157,987,242</b>
Liabilities:				
Unearned premium income	28,157,986	45,220,248	6,832,409	80,210,643
Outstanding claims	12,709,931	12,801,055	19,467,599	44,978,585
Reserve for life insurance operations	--	--	1,341,850	1,341,850
Unallocated liabilities	--	--	--	31,456,164
<b>Total liabilities</b>				<b>157,987,242</b>

#### 33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 9 Rabi II 1435H corresponding to 9 February 2014.

#### 34. COMPARITIVE FIGURES

Certain comparative figures have been reclassified, where necessary, to conform to the classification of current year's presentations.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFI INSURANCE”**

**(A SAUDI JOINT STOCK COMPANY)**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**together with the  
INDEPENDENT AUDITORS’ REPORT**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE" (A SAUDI JOINT STOCK COMPANY)**

#### **SCOPE OF AUDIT**

We have audited the accompanying financial statements of Saudi Indian Company for Cooperative Insurance "Wafa Insurance" (A Saudi Joint Stock Company) (the "Company") which comprise the statement of financial position as at 31 December 2012, and the related statements of insurance operations, shareholders' operations, comprehensive results of shareholders' operations and statement of changes in shareholders' equity and insurance operations' and shareholders' cash flows for the year then ended and notes 1 to 32 which form an integral part of these financial statements.

#### **RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND AUDITORS**

These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards (IFRSs), the provisions of Article 123 of the Regulations for Companies and the Company's Bye-laws and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **UNQUALIFIED OPINION**

In our opinion the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs); and
- comply with the requirements of the Regulation for Companies and the Company's Bye-laws in so far as they affect the preparation and presentation of the financial statements.

#### **EMPHASIS OF MATTER**

We draw attention to the following:

- a) the fact that these financial statements are prepared in accordance with IFRS and not in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).



- b) as explained in note 2 to the financial statements, as at 31 December 2012, the Company has sustained accumulated losses of SR 65 million that is 65% of the share capital (31st December 2011: SR 49 million). These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, it is the intention of management to continue to operate the Company on a going concern basis for the foreseeable future.

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13 Rabi Al Thani 1434H  
23 February 2013

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
Insurance Operations' Assets			
Cash and cash equivalents	6	15,650,978	2,624,481
Receivable from policyholders, net	7	50,022,175	34,741,552
Reinsurers' share of outstanding claims	8	24,653,297	14,843,575
Reinsurers' share of unearned premium	9	29,018,995	13,040,712
Deferred policy acquisition costs		7,707,726	5,384,099
Prepaid expenses	10	645,325	789,757
Available for sale investments	11	2,423,078	2,423,078
Advances and other receivables	12	1,046,883	3,891,400
Property and equipment, net	13	472,540	586,339
Intangible assets, net	13	2,208,645	572,376
Due from shareholders' operations	19	23,376,898	13,560,689
<b>Total Insurance Operations' Assets</b>		<b>157,226,540</b>	<b>92,458,058</b>
Shareholders' Assets			
Cash and cash equivalents	6	30,897,742	47,316,960
Available for sale investments	11	15,258,287	8,561,262
Advances and other receivables	12	8,901	--
Statutory deposit - Sukuk	18	15,800,035	10,747,502
Total Shareholders' Assets		61,964,965	66,625,724
<b>Total Assets</b>		<b>219,191,505</b>	<b>159,083,782</b>

The accompanying notes 1 to 32 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
Insurance Operations' Liabilities			
Reinsurers' balances payable		16,022,701	5,372,334
Unearned premium income	9	80,210,643	40,985,868
Unearned commission income		1,552,502	2,756,430
Outstanding claims and reserves	8	44,978,585	32,123,591
Reserve for life insurance operations	14	1,341,850	1,341,850
Accrued expenses	15	2,159,669	1,392,181
Other liabilities	16	9,824,624	7,783,209
Employees' end of service benefits	17	1,135,966	702,595
<b>Total Insurance Operations' Liabilities</b>		<b>157,226,540</b>	<b>92,458,058</b>
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Accrued zakat	20.2	1,300,000	1,100,000
Accrued expenses	15	1,194,000	193,500
Other liabilities	16	700,035	647,502
Due to insurance operations	19	23,376,898	13,560,689
<b>Total Shareholders' Liabilities</b>		<b>26,570,933</b>	<b>15,501,691</b>
Shareholders' Equity			
Share capital	21	100,000,000	100,000,000
Accumulated deficit		(65,125,681)	(49,160,248)
Unrealized gain on available for sale investments		519,713	284,281
<b>Total Shareholders' Equity</b>		<b>35,394,032</b>	<b>51,124,033</b>
<b>Total Shareholders' Liabilities and Equity</b>		<b>61,964,965</b>	<b>66,625,724</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>219,191,505</b>	<b>159,083,782</b>

The accompanying notes 1 to 32 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
Gross premiums written		162,460,476	93,895,701
Reinsurance ceded		(57,593,191)	(27,530,817)
Excess of loss premiums ceded		(2,841,268)	(1,561,652)
Net premiums written		102,026,017	64,803,232
Changes in unearned premium		(23,246,492)	(10,248,449)
Net premium earned		78,779,525	54,554,783
Reinsurance commission		7,505,533	9,843,611
Other investment income		14,312	13,595
<b>Underwriting revenue</b>		<b>86,299,370</b>	<b>64,411,989</b>
Gross claims paid		79,389,165	62,851,707
Reinsurers' share		(25,998,332)	(31,814,066)
Net claims paid		53,390,833	31,037,641
Changes in outstanding claims and reserves	22	3,045,272	3,288,244
Net claims incurred		56,436,105	34,325,885
Policy acquisition costs		15,070,164	10,994,404
Other underwriting expenses	23	5,240,507	3,132,867
<b>Total claims and other expenses</b>		<b>76,746,776</b>	<b>48,453,156</b>
Underwriting surplus		9,552,594	15,958,833
General and administrative expenses	24	(22,134,015)	(19,097,414)
Net deficit for the year		(12,581,421)	(3,138,581)
Transferred to shareholders' operations	5.23	12,581,421	3,138,581
<b>Net results for the year</b>		<b>--</b>	<b>--</b>

The accompanying notes 1 to 32 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF SHAREHOLDERS’ OPERATIONS

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
Profit on sale of available for sale investments		--	276,979
Investment income		51,331	209,180
Reversal of directors’ remuneration	24.1	--	2,110,000
		<b>51,331</b>	<b>2,596,159</b>
Directors’ remuneration	24	(1,020,000)	--
General and administrative expenses	24	(450,584)	(565,553)
Net deficit transferred from insurance operations	5.23	(12,581,421)	(3,138,581)
Net loss for the year before Zakat		(14,000,674)	(1,107,975)
Provision for Zakat	20.2	(1,964,759)	(1,267,465)
Net loss for the year		(15,965,433)	(2,375,440)
<b>Basic and diluted loss per share</b>	<b>25</b>	<b>(1.60)</b>	<b>(0.24)</b>

The accompanying notes 1 to 32 form part of these financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**

**(A Saudi Joint Stock Company)**

**STATEMENT OF COMPREHENSIVE RESULTS OF SHAREHOLDERS’ OPERATIONS**

**For the year ended 31 December 2012**

**Expressed in Saudi Arabian Riyals**

	31 December 2012	31 December 2011
Loss for the year	(15,965,433)	(2,375,440)
Changes in fair value of available for sale investments	235,432	58,431
<b>Total comprehensive loss for the year</b>	<b>(15,730,001)</b>	<b>(2,317,009)</b>

The accompanying notes 1 to 32 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

	Share capital	Accumulated deficit	Change in fair value of available for sale investments	Total shareholders' equity
Balance at 1 January 2012	100,000,000	(49,160,248)	284,281	51,124,033
Net loss for the year after Zakat	--	(15,965,433)	--	(15,965,433)
Other comprehensive income for the year	--	--	235,432	235,432
<b>Balance at 31 December 2012</b>	<b>100,000,000</b>	<b>(65,125,681)</b>	<b>519,713</b>	<b>35,394,032</b>
Balance at 1 January 2011	100,000,000	(46,784,808)	502,829	53,718,021
Net loss for the year after Zakat	--	(2,375,440)	--	(2,375,440)
Other comprehensive income for the year	--	--	58,431	58,431
Profit realized on sale of available for sale investments	--	--	(276,979)	(276,979)
<b>Balance at 31 December 2011</b>	<b>100,000,000</b>	<b>(49,160,248)</b>	<b>284,281</b>	<b>51,124,033</b>

The accompanying notes 1 to 32 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
<b>OPERATING ACTIVITIES:</b>			
Net results for the year		--	--
Adjustments for:			
Deficit transferred to Shareholders' Operations		(12,581,421)	(3,138,581)
Employees' end of service benefits		433,371	195,415
(Release)/ Provision for doubtful debts	7	(1,500,000)	475,000
Unearned premium income		39,224,775	13,918,591
Reinsurers' share of unearned premium		(15,978,283)	(3,670,142)
Amortization	13	611,317	1,098,139
Depreciation	13	414,507	683,558
		<b>10,624,266</b>	<b>9,561,980</b>
<b>Changes in operating assets and liabilities:</b>			
Receivable from policyholders, net		(13,780,623)	(7,770,345)
Reinsurers' share of outstanding claims		(9,809,722)	(3,361,906)
Deferred policy acquisition costs		(2,323,627)	(1,767,330)
Prepaid expenses		144,432	(100,465)
Advances and other receivables		2,844,517	(2,813,660)
Reinsurers' balances payable		10,650,367	(4,483,650)
Unearned commission income		(1,203,928)	492,490
Outstanding claims and reserves		12,854,994	9,572,794
Reserve for life Insurance Operations	14	--	(2,922,643)
Accrued expenses		767,488	(1,216,491)
Other liabilities		2,041,415	4,298,565
Due from Shareholders' Operations		(2,234,789)	(1,865,333)
<b>Net cash used in operating activities</b>		<b>10,574,790</b>	<b>(2,375,994)</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property and equipment		(300,708)	(203,686)
Purchase of intangibles		(2,247,585)	(96,861)
<b>Net cash used in investing activities</b>		<b>(2,548,293)</b>	<b>(300,547)</b>
<b>FINANCING ACTIVITIES:</b>			
Amounts transferred from shareholders	19	5,000,000	500,000
<b>Net cash from financing activities</b>		<b>5,000,000</b>	<b>500,000</b>
Increase/ (Decrease) in cash and cash equivalents during the year		13,026,497	(2,176,541)
Cash and cash equivalents, beginning of the year		2,624,481	4,801,022
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>15,650,978</b>	<b>2,624,481</b>

The accompanying notes 1 to 32 form part of these financial statements.



**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”**  
(A Saudi Joint Stock Company)

**STATEMENT OF SHAREHOLDERS’ CASH FLOWS**

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

	Notes	31 December 2012	31 December 2011
OPERATING ACTIVITIES:			
Net loss for the year		(14,000,674)	(1,107,975)
Adjustments for:			
Deficit transferred from Insurance Operations		12,581,421	3,138,581
		<b>(1,419,253)</b>	<b>2,030,606</b>
Changes in operating assets and liabilities:			
Advances and other receivables		(8,901)	53,033
Accrued expenses		1,000,500	(2,157,999)
Due to Insurance operations		2,234,789	1,865,333
Zakat paid	20.2	(1,764,759)	(1,251,778)
Other liabilities		52,533	110,170
<b>Net cash from operating activities</b>		<b>94,909</b>	<b>649,365</b>
INVESTING ACTIVITIES:			
Statutory deposit – Sukuk		(5,052,533)	(110,170)
Investments		(6,461,594)	9,723,019
<b>Net cash from investing activities</b>		<b>(11,514,127)</b>	<b>9,612,849</b>
FINANCING ACTIVITIES:			
Amounts transferred to Insurance Operations	19	(5,000,000)	(500,000)
<b>Net cash used in financing activities</b>		<b>(5,000,000)</b>	<b>(500,000)</b>
<b>Increase in cash and cash equivalents during the year</b>		<b>(16,419,218)</b>	<b>9,762,214</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>47,316,960</b>	<b>37,554,746</b>
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>30,897,742</b>	<b>47,316,960</b>
Non-cash supplemental information:			
<b>Net change in the fair value of available for sale investments</b>		<b>235,432</b>	<b>58,431</b>

The accompanying notes 1 to 32 form part of these financial statements.

# **SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”**

**(A Saudi Joint Stock Company)**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Indian Company for Cooperative Insurance “Wafa Insurance” (the “Company”) is a Saudi joint stock company as sanctioned by the Royal Decree No. M60 dated 18 Ramadan 1427H corresponding to October 9, 2006 (date of inception). The Company is registered in Riyadh with the Ministry of Commerce and Industry under commercial registration No.1010236705 dated 24/7/1428H corresponding to August 7, 2007. The Company’s registered office address is at 305 Akaria-2, P.O. Box 341413, Riyadh 11333, Kingdom of Saudi Arabia.

The principal activities of the Company are to transact the cooperative insurance operations and all related activities including reinsurance and agency activities under the law of Supervision of Cooperative Insurance Companies and its bylaws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company is permitted to conduct its operations in the Kingdom of Saudi Arabia.

The Company has been granted the license (number TMN/14/20086) to practice all lines of insurance business on 6 Jumada II, 1429H corresponding to September 8, 2008 from Saudi Arabian Monetary Agency (“SAMA”). SAMA renewed the operational license for a further period of three years from 6 Jumada II, 1432 H corresponding to May 9, 2011. The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

The Company added a brand name “Wafa Insurance” with its existing legal name to have a distinct corporate identity and image after receiving the necessary approvals from the regulatory authorities. The amended commercial registration with new brand name was received on May 28, 2012.

### **2. BASIS OF PREPARATION**

These financial statements for the year ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements have been prepared on the historical cost basis except for revaluation of investments - available for sale, which are carried at fair value.

As at 31 December 2012 the Company has accumulated losses of SR 65 million that is 65% of the share capital (31st December 2011: SR 49 million). While approving these financial statements the Board of directors has considered the financial position and future profitability of the Company and believe that the going concern basis used for preparation of these financial statements is appropriate. The Company is in a continuous process to improve its business performance in order to reduce its accumulated losses.

### **3. BASIS OF PRESENTATION**

As required by the Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. The previous year figures have been regrouped and/or rearranged to make them comparable with current year figures.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Arabian Riyals (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

#### a) IFRS 7 Financial Instruments: Disclosures (amendment):

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entity' and transferred assets that are not derecognized in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

#### b) IAS 1 Presentation of Financial Statements:

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in shareholders' equity or in the notes.

#### c) IFRS 9 Financial Instruments:

IFRS - 9 - Financial Instruments – This standard is the first step in the process to replace IAS 39 “Financial instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. It applies for annual periods beginning on or after January 1, 2015 and early adoption is permitted.

Other amendments resulting in improvements to the following standards also did not have any material impact on the accounting policies, financial position and performance of the Company:

- IFRS 7 - Financial Instruments, Disclosures;
- IAS 12 - Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 13 - Fair value measurement
- IAS 1 - Presentation of Financial Statements;
- IAS 32 - Financial Instruments: Presentation.

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

#### 5.1 Use of estimates in the preparation of financial statements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

### 6. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### a) Ultimate liability arising from claims made under insurance contracts

It is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

#### b) Impairment in available-for-sale equity

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

#### c) Impairment in insurance receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms.

### 5.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and balances with banks including call and time deposits with less than three months maturity from the date of acquisition.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

### 6. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.3 Receivable from policyholders, net

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at gross fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

#### 5.4 Deferred policy acquisition costs

Brokerage commissions and other costs of acquiring insurance contracts that are primarily related to securing new contracts and renewing existing contracts are deferred and amortized on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

#### 5.5 Property and equipment and intangibles

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their expected useful lives which are summarized as follows:

	Years
Furniture and fixtures	10
Office equipment and other assets	4
Computer hardware	4
Computer Software	4
Motor vehicles	4

Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Assets costing less than SR 3,000/- are depreciated at the rate of 100% in the year of acquisition. Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of the asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of insurance operations under other general and administrative expenses.

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the same. These costs are amortized on the basis of the software's expected useful life.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

### 6. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.6 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and, except for investments held at fair value through income statement (if any), includes acquisition charges associated with the investment.

Available for sale investments are subsequently measured at market value. Net unrealized gains or losses are shown as a separate component in shareholders' equity and as other comprehensive income in the related statements of shareholders' comprehensive income or insurance operations. Realized gains or losses on sale of these investments are reported in the related statements of shareholders' operations or insurance operations.

#### 5.7 Impairment of reinsurance and other financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts.

#### 5.8 Impairment of other non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### 5.9 Zakat and taxes

The Company's Saudi shareholders are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (“DZIT”). An estimate of zakat arising therefrom is accrued and charged to the statement of shareholders' operations.

The Company's non-Saudi shareholders are subject to income tax in accordance with the regulations of DZIT as applicable in the Kingdom of Saudi Arabia. An estimate of income tax arising from is accrued and charged to the statement of shareholders' operations.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

##### 5.10 Other provisions

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events and it more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

##### 5.11 Legal reserve

In accordance with the Company's Articles of Association and in compliance with Article 70 (2g) of the Implementing Regulations for Cooperative Insurance of SAMA, the Company allocates 20% of the net income each year to the legal reserve until it has built up a reserve equal to the capital. Since the Company has incurred loss, no such provision for legal reserve has been made in current year.

##### 5.12 Recognition of premium and reinsurance commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks proportionally over the period of coverage. Premiums are shown before deduction of commission. The portion of premium and commission that will be earned in the future is reported as unearned premium and commission, respectively, and is deferred on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

##### 5.13 Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Income from investments is principally earned from Shariah Compliant Funds.

Commission income from short-term deposits are recognized on a time proportion basis using the effective interest rate method.

##### 5.14 Dividend income

Dividend income is recognized when the right to receive payment is established.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### 5.15 Reinsurance

In the ordinary course of business, the Company cedes insurance premium and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operation's statement of financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance are estimated in a manner consistent with the claim liability associated with the insured parties.

##### 5.16 Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the date of statement of financial position together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. The IBNR is calculated based on the recommendation of an independent actuary.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The outstanding claims are shown on a gross basis and the related share of reinsurance is shown separately.

##### 5.17 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision). Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

##### 5.18 Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

#### 5.19 De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### 5.20 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and shareholders' operations unless required or permitted by any accounting standard or interpretation.

#### 5.21 Operating leases

Payments made under operating leases, which were not significant for the years ended December 31, 2012 and 2011, are charged to the statements of insurance operations on a straight-line basis according to the terms of the rental contracts. There were no significant rental commitments at December 31, 2012.

#### 5.22 Foreign currency transactions

The Company's books of account are maintained in Saudi Riyals which is also the functional currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the statement of financial position date. All differences are taken to the statements of insurance operations. Foreign exchange differences are not significant and have not been disclosed separately.

#### 5.23 Surplus from insurance operations

In accordance with the requirements of the implementing regulations issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' operations, while 10% of the net surplus is distributed to policyholders. However, in the case of loss, SAMA has directed the Company to transfer the whole amount to the statement of shareholders' operations.

#### 5.24 Segmental information

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purpose, the Company is organized into business units based on their products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

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### 6. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Insurance Operations:		
Cash in hand	5,075	7,071
Balance in current account	15,645,903	2,617,410
	<b>15,650,978</b>	<b>2,624,481</b>
Shareholders:		
Cash in hand	--	378
Balance in current account	897,742	47,316,582
Balance in time deposits	30,000,000	--
	<b>30,897,742</b>	<b>47,316,960</b>

### 7. RECEIVABLE FROM POLICYHOLDERS, NET

	31 December 2012	31 December 2011
Gross receivables arising from insurance contracts:	58,084,993	44,304,370
Less: provision for doubtful debts	8,062,818	9,562,818
<b>Net receivables</b>	<b>50,022,175</b>	<b>34,741,552</b>

The movement in the provision for doubtful debts of premium receivables is as follows:

	31 December 2012	31 December 2011
Balance, January 1	9,562,818	9,087,818
(Release) / provision during the year	(1,500,000)	475,000
<b>Balance, December 31</b>	<b>8,062,818</b>	<b>9,562,818</b>

As at December 31, the ageing of receivable from policyholders is as follows:

	Neither past due nor impaired	Past due and impaired			Total
		91 – 180 Days	181 – 365 Days	More than 365 days	
	SR	SR	SR	SR	SR
2012	28,627,258	17,961,231	6,511,948	4,984,556	58,084,993
2011	11,002,104	11,516,349	17,029,007	4,756,910	44,304,370

The Company classifies balances as “past due and impaired” on case by case basis and an impairment adjustment is recorded in the statement of insurance operations.

Receivables comprise a large number of customers. The receivables are shown on gross basis without any allowance or rebates to customers. Due from policyholders includes an amount of Saudi Riyals 13.88 million (2011: Saudi Riyals 9.37 million) that is due from the broker United International Company Limited, through whom the business is booked for the policyholders. The receivables are from customers within the Kingdom of Saudi Arabia and are due only in Saudi Riyals.

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### 8. OUTSTANDING CLAIMS AND RESERVES

	31 December 2012	31 December 2011
Gross Insurance liabilities:		
Claims reported unsettled	25,354,909	18,334,187
Claims incurred but not reported (IBNR)	17,559,261	12,464,515
Premium Deficiency Reserve	1,935,996	1,186,993
Catastrophe Reserve	100,000	100,000
Unexpired Risk Reserve	28,419	37,896
<b>Total</b>	<b>44,978,585</b>	<b>32,123,591</b>

Recoverable from reinsurers:		
Claims reported unsettled	15,581,393	9,910,164
Claims incurred but not reported	9,071,904	4,933,411
<b>Total</b>	<b>24,653,297</b>	<b>14,843,575</b>

	31 December 2012	31 December 2011
Net insurance liabilities:		
Claims reported unsettled	9,773,516	8,424,023
Claims incurred but not reported (IBNR)	8,487,357	7,531,104
Premium deficiency reserve	1,935,996	1,186,993
Catastrophe reserve	100,000	100,000
Unexpired risk reserve	28,419	37,896
	<b>20,325,288</b>	<b>17,280,016</b>

#### 8.1 CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative gross claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

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### 8. OUTSTANDING CLAIMS AND RESERVES

#### 8.1) CLAIMS DEVELOPMENT TABLE (Continued)

Claims triangulation analysis is by accident years spanning a number of financial years.

2012 Accident year	2009 & earlier	2010	2011	2012	Total
Estimate of ultimate claims cost:					
At the end of accident year	65,170,994	34,558,556	73,080,040	99,796,353	272,605,943
One year later	47,174,090	33,151,059	66,438,492	--	--
Two years later	47,534,596	32,921,060	--	--	--
Three years later	46,800,693	--	--	--	--
Current estimate of cumulative claims	46,800,693	32,921,060	66,438,492	99,796,353	245,956,598
Cumulative payments to date	46,768,965	32,712,511	64,387,188	57,073,349	200,942,013
Liability recognized in statement of financial position	31,728	208,549	2,015,304	42,723,004	44,978,585
<b>Total liability included in statement of financial position</b>					<b>44,978,585</b>

2011 Accident year	2008	2009	2010	2011	Total
Estimate of ultimate claims cost:					
At the end of accident year	1,012,419	64,158,575	34,558,556	73,080,040	172,809,590
One year later	1,233,773	45,940,317	33,151,059	--	--
Two years later	749,184	46,785,412	--	--	--
Three years later	659,927	--	--	--	--
Current estimate of cumulative claims	659,927	46,785,412	33,151,059	73,080,040	153,676,438
Cumulative payments to date	(654,761)	(46,285,410)	(29,844,398)	(44,768,278)	(121,552,847)
Liability recognized in statement of financial position	5,166	500,002	3,306,661	28,311,762	32,123,591
<b>Total liability included in statement of financial position</b>					<b>32,123,591</b>

The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

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**9. UNEARNED PREMIUM INCOME**

Unearned premium are comprised of the following:

	31 December 2012	31 December 2011
Gross unearned premium income	80,210,643	40,985,868
Reinsurers' share of unearned premium income	(29,018,995)	(13,040,712)
<b>Net unearned premium income</b>	<b>51,191,648</b>	<b>27,945,156</b>

**10. PREPAID EXPENSES**

Prepaid expenses are comprised of the following:

	31 December 2012	31 December 2011
Insurance Operations:		
Rent of office premises	478,565	547,607
Rent of residential premises	166,760	242,150
<b>Total</b>	<b>645,325</b>	<b>789,757</b>

**11. AVAILABLE FOR SALE INVESTMENTS**

	31 December 2012	31 December 2011
Insurance Operations:		
Unquoted securities		
Balance at 1 January and 31 December	1,923,078	1,923,078
Shariah Compliant Fund		
Balance at 1 January and 31 December	500,000	500,000
	<b>2,423,078</b>	<b>2,423,078</b>

	31 December 2012	31 December 2011
Shareholders' Operations:		
Shariah Compliant Funds		
Commodity Trading Fund (SAR)	8,636,431	8,561,262
Saudi ORIX Sukuk	5,000,000	--
Quoted securities		
Al Tayyar travel group shares	1,621,856	--
	<b>15,258,287</b>	<b>8,561,262</b>

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### 12. ADVANCES AND OTHER RECEIVABLES

	31 December 2012	31 December 2011
Insurance Operations:		
Advance to actuary	637,500	637,500
Rent deposits for offices and residential premises	52,820	51,302
Sundry deposits	1,045	1,045
Advances to employees	66,618	2,800
Advances to hospitals	250,000	293,436
Najm for Insurance Services	--	50,000
Profit commission receivable from reinsurer (Health)	--	2,767,018
Others	38,900	88,299
	<b>1,046,883</b>	<b>3,891,400</b>

	31 December 2012	31 December 2011
Shareholders' Operations:		
Accrued profit on time deposits	8,901	--

### 13. PROPERTY AND EQUIPMENT AND INTANGIBLES - NET

	31 December 2012	31 December 2011
Owned assets – tangible, net	472,540	586,339
Owned assets – intangible, net	2,208,645	572,376
	<b>2,681,185</b>	<b>586,339</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 13. PROPERTY AND EQUIPMENT - NET (Continued)

	Tangible assets					Intangible assets	
2012							
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2012	1,460,182	550,598	951,800	286,060	3,248,640	4,433,699	7,682,339
Additions	78,593	143,115	--	90,869	312,577	2,247,585	2,560,162
Disposals	(7,889)	--	(19,100)	(3,614)	(30,603)	--	(30,603)
At 31 December 2012	1,530,886	693,713	932,700	373,315	3,530,614	6,681,284	10,211,898
Accumulated depreciation and amortization:							
At 1 January 2012	1,232,749	358,882	848,488	222,182	2,662,301	3,861,322	6,523,623
Charge for the year	189,727	90,532	69,000	65,248	414,507	611,317	1,025,824
Disposals	(6,847)	--	(8,294)	(3,593)	(18,734)	--	(18,734)
At 31 December 2012	1,415,629	449,414	909,194	283,837	3,058,074	4,472,639	7,530,713
Net book value							
31 December 2012	115,257	244,299	23,506	89,478	472,540	2,208,645	2,681,185

	Tangible assets					Intangible assets	
2011							
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2011	1,376,023	538,598	887,200	243,133	3,044,954	4,336,838	7,381,792
Additions	84,159	12,000	64,600	42,927	203,686	96,861	300,547
Disposals	--	--	--	--	--	--	--
At 31 December 2011	1,460,182	550,598	951,800	286,060	3,248,640	4,433,699	7,682,339
Accumulated Depreciation and amortization:							
At 1 January 2011	889,305	328,470	611,600	149,368	1,978,743	2,763,184	4,741,927
Charge for the year	343,444	30,412	236,888	72,814	683,558	1,098,139	1,781,697
Disposals	--	--	--	--	--	--	--
At 31 December 2011	1,232,749	358,882	848,488	222,182	2,662,301	3,861,323	6,523,624
Net book value							
31 December 2011	227,433	191,716	103,312	63,878	586,339	572,376	1,158,715

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#### 14. MATHEMATICAL PROVISION FOR LIFE INSURANCE OPERATIONS

The mathematical provision for life insurance contracts at December 31, 2012 were certified by an independent actuary, whose report states that the mathematical provisions are computed in a manner that conforms to the appropriate actuarial standards of practice and meet adequately the Company's liabilities arising from its entire life insurance business cycle.

The movement in the mathematical provision during the year is as follows:

	31 December 2012	31 December 2011
Balance at 1 January 2012	1,341,850	4,264,493
Released during the year	--	(2,922,643)
<b>Balance at 31 December 2012</b>	<b>1,341,850</b>	<b>1,341,850</b>

#### 15. ACCRUED EXPENSES

	31 December 2012	31 December 2011
Insurance Operations:		
Professional fees	259,130	200,000
Actuary fees	87,500	87,500
Third party administration (TPA) / Council of Cooperative Health Insurance (CCHI) fee	1,707,989	691,515
Other expenses	105,050	413,166
	<b>2,159,669</b>	<b>1,392,181</b>

	31 December 2012	31 December 2011
Shareholders' Operations:		
Chairman and Directors' remuneration	1,020,000	--
Board attendance fees	105,000	126,000
Executive committee attendance fees	12,000	16,500
Audit committee attendance fees	57,000	51,000
	<b>1,194,000</b>	<b>193,500</b>



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#### 16. OTHER LIABILITIES

	31 December 2012	31 December 2011
Insurance Operations:		
Withholding tax payable	10,575	24,921
Sundry creditors and stale cheques	225,449	202,838
Agents and Salesmen commission payable	3,355,750	1,771,217
Brokerage payable	6,220,693	5,710,616
Premium deposit for life insurance	666	15,666
Al Badr Clinic (Legal case)	--	56,960
Balance amount in the money received for Haj claims to The New India Assurance Co. Ltd	11,491	991
	<b>9,824,624</b>	<b>7,783,209</b>

	31 December 2012	31 December 2011
Shareholders' Operations:		
<b>Sundry creditors</b>	<b>700,035</b>	<b>647,502</b>

Sundry creditors in shareholders' operations represents the profit accrued on the statutory deposit and Sukuk (refer to note 18).

#### 17. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2012	31 December 2011
Balance at 1 January	702,595	507,180
Provision during the year	615,454	354,633
Payments during the year	182,083	(159,218)
<b>Balance at 31 December</b>	<b>1,135,966</b>	<b>702,595</b>

#### 18. STATUTORY DEPOSIT-SUKUK

In accordance with Article 58 of the Implementing Regulations for Cooperative Insurance, the Company has deposited an amount of SR 10,100,000 (SAR 10,800,035 including profit) (2011: 10,747,502 including profit) with Riyadh Bank and that amount was invested in Sukuks. Profit on the same was accrued and credited to our special account on quarterly basis. The Sukuks matured on 15 July 2012 and the proceeds were credited by Riyadh Bank to our special bank account which was opened for statutory deposit purpose. During the year, the Company deposited an additional amount of SR 5,000,000 into the same bank account. However, the Company is not allowed to withdraw any portion of the original deposit or the profit or the extra amount deposited from the bank account opened for statutory deposit unless an approval is obtained from SAMA. Profit accrued of SAR 700,035 (2011: SAR 647,502) is shown along with Statutory Deposit and the corresponding profit amount is shown as liability in other liabilities (shareholders operations) (Note 16).

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#### 19. DUE FROM SHAREHOLDERS' OPERATIONS:

The movement in amount due from shareholders' operations is as follows:

	31 December 2012	31 December 2011
Balance at 1 January	13,560,689	14,581,542
Balance transferred to Insurance operations	(5,000,000)	(500,000)
Amounts paid from Insurance Operations:		
Tadawul Fee	180,000	180,000
Zakat Payment	1,764,759	1,251,778
Directors travelling and Board meeting expenses	290,029	433,555
	<b>10,795,477</b>	<b>10,422,108</b>
Share of deficit from insurance operations	12,581,421	3,138,581
<b>Balance at December 31</b>	<b>23,376,898</b>	<b>13,560,689</b>

#### 20. COMPONENTS OF ZAKAT BASE

In accordance with the regulations of the DZIT, the Company is subject to zakat. The provision for Zakat for the current year is made for SR 1,300,000 computed on a zakat base of Saudi Riyals 51,765,436 (2011: Saudi Riyals 50,302,136). The Company has recorded a zakat charge in the amount of Saudi Riyals 1,964,759 during the year ended December 31, 2012 including additional provision of SR 664,759 for the previous year.

##### 20.1 Zakat base summary is as follows:

	31 December 2012	31 December 2011
Shareholders' equity at beginning of year	100,000,000	100,000,000
Accumulated deficit at beginning of year, as adjusted for non deductible items	(15,907,391)	(28,956,423)
Provisions	9,249,632	1,170,415
Net loss for the year, as adjusted for Non - deductible items	(11,606,672)	(577,467)
Investments	(3,544,934)	(1,923,078)
Property and equipment - net	(3,168,264)	(2,336,567)
Prior years' adjustments	--	5,524,767
<b>Total</b>	<b>75,022,371</b>	<b>72,901,647</b>
<b>Zakat base for Saudi shareholders at 69%</b>	<b>51,765,436</b>	<b>50,302,136</b>
<b>Zakat at 2.5%</b>	<b>1,294,136</b>	<b>1,257,553</b>

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders.

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**21. COMPONENTS OF ZAKAT BASE (Continued)**

**20.2 Provision For Zakat**

	31 December 2012	31 December 2011
Balance at 1 January	1,100,000	1,084,313
Provision during the year	1,964,759	1,267,465
Payments during the year	(1,764,759)	(1,251,778)
<b>Balance at 31 December</b>	<b>1,300,000</b>	<b>1,100,000</b>

**1.1.3 Zakat and tax assessment status**

The Company has filed zakat and tax return with the Department of Zakat and Income Tax (DZIT) for the year 2011 but the final assessment has not been raised yet by the DZIT.

**20.3 Tax**

The Company has not recorded any income tax provision since the Company recognized a net loss for the years ended December 31, 2012 and December 31, 2011.

**1.1.4 Temporary and permanent differences and other matters**

Temporary and permanent differences principally comprise of adjustment for depreciation, provisions and other items under the income tax regulations. Deferred tax arising out of temporary differences was not significant and, accordingly, was not recorded as of December 31, 2012 and 2011.

Deferred tax asset arising out of carry forward losses is not recognized as the future recoverability of such tax benefit is uncertain at year-end.

**21. SHARE CAPITAL**

	31 December 2012	31 December 2011
Authorised:		
<b>10,000,000 shares of SR 10 each</b>	<b>100,000,000</b>	<b>100,000,000</b>
Allotted, issued and fully paid		
<b>10,000,000 shares of SR 10 each</b>	<b>100,000,000</b>	<b>100,000,000</b>

At 31 December 2012 and 2011, the share capital of the Company was held by the following shareholders:

	Percentage	No. of shares
The New India Assurance Co. Ltd.	10.60%	1,060,000
Life Insurance Corporation of India	10.20%	1,020,000
LIC (International) BSC	10.20%	1,020,000
Local shareholders and general public	69.00%	6,900,000

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#### 22. CHANGES IN OUTSTANDING CLAIMS AND RESERVES

	31 December 2012	31 December 2011
Changes in premium deficiency & other reserves	739,526	1,297,550
Changes in mathematical provision for life reserves	--	(2,922,643)
Changes in outstanding claims – net	2,305,746	4,913,337
	<b>3,045,272</b>	<b>3,288,244</b>

#### 23. OTHER UNDERWRITING EXPENSES

	31 December 2012	31 December 2011
CCHI fees at 1% of gross health premium	763,569	233,178
Third Party Administrator charges	4,278,254	1,399,071
Medical and motor cards	85,250	67,400
Withholding tax on reinsurance premium	(698,868)	963,739
SAMA fees at 0.5% of gross written premium	812,302	469,479
	<b>5,240,507</b>	<b>3,132,867</b>

#### 24. GENERAL AND ADMINISTRATIVE EXPENSES

Expenses for the year are comprised of the following:

	Note	31 December 2012	31 December 2011
Insurance Operations:			
Operating and administrative salaries and benefits		17,474,258	12,302,339
Advertisement and publicity		292,180	80,542
Rent		1,297,045	1,242,870
Depreciation and amortization	13	1,025,824	1,781,697
Professional fees		1,116,727	716,510
Shariah Board fees		65,000	165,000
Travel expenses		319,496	122,855
Car maintenance		69,859	90,049
Office supplies and printing and stationery		712,119	300,389
Bad and doubtful debts		(1,500,000)	475,000
IT expenses		1,116,295	978,862
Penalty paid to CMA		100,000	--
Other expenses		45,212	841,301
		<b>22,134,015</b>	<b>19,097,414</b>

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#### 24. GENERAL & ADMINISTRATIVE EXPENSES (Continued)

		31 December 2012	31 December 2011
Shareholders' Operations:			
Directors remuneration	24.1	1,020,000	(2,110,000)
Sitting Fees to Board and Committees		174,000	193,500
Tadawul fee		180,000	180,000
Directors travelling & other expenses		96,584	192,053
<b>Total expenses</b>		<b>450,584</b>	<b>565,553</b>

##### 24.1 During the year, provision is made for the Board of Directors remuneration for the year 2012

amounting to SR 1,020,000. For the year 2011, the Board of Directors vide its resolution dated 21 February 2011 decided to waive the remuneration of Board of Directors for the years 2009 and 2010. Consequently, an amount of SR 2,110,000 was reversed in 2011.

#### 25. BASIC AND DILUTED (LOSS) PER SHARE

	31 December 2012	31 December 2011
Net loss for the year after Zakat	(15,965,433)	(2,375,440)
Weighted average number of shares in issue throughout the year	10,000,000	10,000,000
<b>Basic and diluted loss per share</b>	<b>(1.60)</b>	<b>(0.24)</b>

Basic earnings (loss) per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the date of statement of financial position. As of December 31, 2012 the Company has not issued any instruments which would have an impact on earnings (loss) per share when exercised.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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#### 26. RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Nature of transaction	Amount of transaction (Net)		Balance	
		31 December 2012 (Unaudited)	31 December 2011 (Audited)	31 December 2012 (Unaudited)	31 December 2011 (Audited)
		SARs	SARs	SARs	SARs
The New India Assurance Company Limited (Shareholder)	- Other liability	10,500	549	11,491	991
	- Reinsurance premium ceded	953,416	1,545,448	368,770	1,322,186
	- Reinsurance commission	392,241	556,389	91,985	484,226
	- Reinsurer's share of outstanding claims	1,804,276	1,790,363	429,189	2,233,465
Fawaz Al Hokair Group (Shareholder)	Premium for policies written	1,697,891	261,978	2,426,875	4,124,766
Directors and Executive Committee	- Meeting attendance fee	55,500	47,999	138,000	193,500
	- Remuneration	1,020,000	--	1,020,000	--

The compensation paid to the key management personnel during the year ended 31 December 2012 amounted to SAR 3,135,985 (31 December 2011: SAR 3,422,635).

#### 27. INSURANCE RISKS

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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#### 27. INSURANCE RISKS (Continued)

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

##### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the average loss ratio with all other assumptions held constant showing the impact on liabilities and net loss.

December 31, 2012	Change in assumptions	Impact on liabilities	Impact on net loss
Claims ratio	+5%	115,287	115,287
	-5%	(115,287)	(115,287)

December 31, 2011	Change in assumptions	Impact on liabilities	Impact on net loss
Claim ratio	+5%	245,667	(245,667)
	-5%	(245,667)	245,667

##### Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under proportional treaties such as quota share with surplus and non-proportional treaties such as excess of loss.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. As shown in Note 8, the Company has reduced its claims payable by the expected recoveries from reinsurance as at December 31, 2012 by Saudi Riyals 24.65 million (2010: Saudi Riyals 14.84 million)

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the statement of financial position include financial assets, financial liabilities, reinsurance assets and insurance liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 28.1 Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”). The Company's current paid up capital is in accordance with Article 3 of the Insurance Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In the Kingdom of Saudi Arabia solvency regulations and the minimum capital requirements are set and regulated by the Saudi Arabian Monetary Agency (“SAMA”).

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	31 December 2012	31 December 2011
Total capital held	100,000,000	100,000,000
Minimum regulatory capital	100,000,000	100,000,000

#### 28.2 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investee.

A 5% change in the prices of the quoted securities, with all other variables held constant, would impact shareholders equity by Saudi Riyals 512,914 (2011: Saudi Riyals 428,063). There would be no impact on the statement of insurance operations as all investments in securities are classified as ‘available-for-sale’.

#### 28.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Management believes that the currency risk is not material.



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### 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 28.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

24% of the Company's receivables are due from one broker as at December 31, 2012 (2011: 21%).

Key areas where the Company is exposed to credit risk are:

- Re-insurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

Reinsurance is used to manage insurance risk. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

The credit risk on liquid funds is limited because most of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Ongoing credit evaluation is performed on the financial condition of the insurance receivables.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 28.4) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the financial position as at 31 December:

	2012	2011
Insurance Operations' Assets		
Cash and cash equivalents	15,650,978	2,624,481
Receivables, net	50,022,175	34,741,552
Reinsurers' share of outstanding claims	24,653,297	14,843,575
Reinsurers' share of unearned premium	29,018,995	13,040,712
Investments	2,423,078	2,423,078
Advances and other receivables	1,046,883	3,891,400
Due from shareholders' operations	23,376,898	13,560,689
<b>Total</b>	<b>146,192,304</b>	<b>85,125,487</b>

	2012	2011
Shareholders' Assets		
Cash and cash equivalents	30,897,742	47,316,960
Investments	15,258,287	8,561,262
Advances and other receivables	8,901	--
Statutory deposit – Sukuk	15,800,035	10,747,502
<b>Total</b>	<b>61,964,965</b>	<b>66,625,724</b>

### 28.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on regular basis that sufficient funds are available to meet any future commitments as well as obtaining continued financial support from shareholders (if needed). A significant amount of funds are invested in term deposits with local banks.

All term deposits held by the Company at the statement of financial position date have original maturity periods not exceeding three months.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining contractual obligations.

	31 December 2012			31 December 2011		
	Less than 1 year	No term	Total	Less than 1 year	No term	Total
Insurance Operations:						
Reinsurers' balance payable	16,022,701	--	16,022,701	5,372,334	--	5,372,334
Accrued expenses	2,159,669	--	2,159,669	1,392,181	--	1,392,181
Other liabilities	9,824,624	--	9,824,624	7,783,209	--	7,783,209
End of service benefits	--	1,135,966	1,135,966	--	702,595	702,595
	<b>28,006,994</b>	<b>1,135,966</b>	<b>29,142,960</b>	<b>14,547,724</b>	<b>702,595</b>	<b>15,250,319</b>
Shareholders Operations:						
Accrued expenses	1,194,000	--	1,194,000	193,500	--	193,500
Other liabilities	--	700,035	700,035	--	647,502	647,502
<b>Total</b>	<b>29,200,994</b>	<b>1,836,001</b>	<b>31,036,995</b>	<b>14,741,224</b>	<b>1,350,097</b>	<b>16,091,321</b>

#### 28.6 Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed interest rate instruments expose the Company to fair value commission risk.

The Company is exposed to commission rate risk on its term-deposits. Term-deposits attract yield at market rates but the Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its term-deposits are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders equity to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2012		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	149,589
	- 50 basis points	(149,589)
31 December 2011		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	SR 234,000
	- 50 basis points	SR (234,000)

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 28.7 Geographical concentration of risk

All of the Company's insurance risks related to insurance policies are written in the Kingdom of Saudi Arabia.

### 28.8 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, receivable from policyholders, reinsurers' share of outstanding claims, advances and other receivables, investments and financial liabilities consisting of reinsurers' balance payable, outstanding claims, accrued expenses, other liabilities and employees' end of service benefits.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repacking):

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as of December 31, 2012 and December 31, 2011 and based on the fair value hierarchy:

31 December 2012	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	--	--	2,423,078	2,423,078
- Shareholders' operations	10,258,287	--	5,000,000	15,258,287
<b>Total</b>	<b>10,258,287</b>	<b>--</b>	<b>7,423,078</b>	<b>17,681,365</b>
31 December 2011	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	--	--	2,423,078	2,423,078
- Shareholders' operations	8,561,262	--	--	8,561,262
<b>Total</b>	<b>8,561,262</b>	<b>--</b>	<b>2,423,078</b>	<b>10,984,340</b>

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “Wafa Insurance”

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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#### 29. CREDIT QUALITY OF INVESTMENTS

Investments	31 December 2012	Rating	31 December 2011	Rating
Insurance Operations: Available for sale				
Equity	1,923,078	Unrated	1,923,078	Unrated
Sharia Compliant Fund -				
Saudi Hollandi Bank	500,000	Unrated	500,000	Unrated
	<b>2,423,078</b>		<b>2,423,078</b>	
Shareholders' Operations: Available for sale				
Equity	1,621,856	Unrated	--	--
Sharia Compliant Fund -				
Riyad Capital	8,636,431	Unrated	8,561,262	Unrated
Saudi ORIX	5,000,000	Unrated	--	--
Statutory deposit – Riyad Bank	15,800,035	A+	10,747,502	A+
	<b>31,058,322</b>		<b>19,308,764</b>	

The ratings have been obtained from the external rating agencies.

#### 30. CONTINGENCIES AND COMMITMENTS

The Company has no contingent liabilities and financial commitments as at December 31, 2012.

#### 31. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, receivables, prepaid expenses, investments, advances and other receivables, due from shareholders' operations and property and equipment. Accordingly, they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, unearned commission income, employees' end of service benefits, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under the related segments and are monitored on a centralized basis.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 31. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2012

	General and Health Insurance						Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total
Gross written Premium	3,019,018	59,660,971	14,902,879	5,055,057	2,160,336	76,356,948	161,155,209	777,336	527,931	1,305,267
Reinsurance ceded	(1,696,321)	--	(13,424,893)	(4,044,046)	(1,827,872)	(36,189,152)	(57,182,284)	(378,255)	(32,652)	(410,907)
Excess of loss premiums	(183,800)	(2,137,299)	(313,869)	(147,500)	(58,800)	--	(2,841,268)	--	--	--
Net premium written	1,138,897	57,523,672	1,164,117	863,511	273,664	40,167,796	101,131,657	399,081	495,279	894,360
Changes in unearned premium	205,471	(8,769,906)	295,379	61,765	47,385	(15,086,586)	(23,246,492)	--	--	--
Net premium earned	1,344,368	48,753,766	1,459,496	925,276	321,049	25,081,210	77,885,165	399,081	495,279	894,360
Reinsurance commission income	961,835	--	3,756,138	1,977,840	1,153,773	(344,053)	7,505,533	--	--	--
Other Investment Income	--	--	--	--	--	--	--	--	14,312	14,312
<b>Underwriting revenue</b>	<b>2,306,203</b>	<b>48,753,766</b>	<b>5,215,634</b>	<b>2,903,116</b>	<b>1,474,822</b>	<b>24,737,157</b>	<b>85,390,698</b>	<b>399,081</b>	<b>509,591</b>	<b>908,672</b>
Gross claims paid	217,433	43,524,170	6,131,437	1,162,940	1,042,751	26,944,221	79,022,952	275,800	90,413	366,213
Reinsurance ceded	(175,371)	(499,822)	(6,172,557)	(930,352)	(912,810)	(17,086,780)	(25,777,692)	(220,640)	--	(220,640)
<b>Net claims paid</b>	<b>42,062</b>	<b>43,024,348</b>	<b>(41,120)</b>	<b>232,588</b>	<b>129,941</b>	<b>9,857,441</b>	<b>53,245,260</b>	<b>55,160</b>	<b>90,413</b>	<b>145,573</b>
Changes in outstanding claims net	186,473	416,995	1,164,725	(23,768)	(139,275)	1,430,402	3,035,552	9,720	--	9,720
<b>Net claims incurred</b>	<b>228,535</b>	<b>43,441,343</b>	<b>1,123,605</b>	<b>208,820</b>	<b>(9,334)</b>	<b>11,287,843</b>	<b>56,280,812</b>	<b>64,880</b>	<b>90,413</b>	<b>155,293</b>
Policy acquisition cost – net	546,428	7,069,112	2,379,412	909,208	420,577	3,637,863	14,962,600	93,875	13,689	107,564
Other underwriting expenses	15,176	309,805	116,825	25,275	10,722	4,754,947	5,232,750	5,118	2,639	7,757
<b>Total claims and other expenses</b>	<b>790,139</b>	<b>50,820,260</b>	<b>3,619,842</b>	<b>1,143,303</b>	<b>421,965</b>	<b>19,680,653</b>	<b>76,476,162</b>	<b>163,873</b>	<b>106,741</b>	<b>270,614</b>
Underwriting surplus/ (deficit)	1,516,064	(2,066,494)	1,595,792	1,759,813	1,052,857	5,056,504	8,914,536	235,208	402,850	638,058
General and administrative expenses	(411,859)	(8,080,486)	(1,985,134)	(675,286)	(296,517)	(9,870,094)	(21,319,376)	(443,576)	(371,063)	(814,639)
<b>Net surplus/ (deficit) for the year</b>	<b>1,104,205</b>	<b>(10,146,980)</b>	<b>(389,342)</b>	<b>1,084,527</b>	<b>756,340</b>	<b>(4,813,590)</b>	<b>(12,404,840)</b>	<b>(208,368)</b>	<b>31,787</b>	<b>(176,581)</b>
										<b>(12,581,421)</b>

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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### 31. SEGMENTAL INFORMATION (Continued)

As at 31 December 2012

	General and Health Insurance						Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total
Assets:										
Reinsurance share of outstanding claims	775,491	--	13,556,355	1,337,658	698,268	7,980,565	24,348,337	304,960	--	304,960
Reinsurance share of unearned premium	543,357	--	4,183,220	197,178	860,499	23,234,741	29,018,995	--	--	--
Deferred policy acquisition cost	147,746	3,166,768	632,016	34,140	157,576	3,569,480	7,707,726	--	--	--
Unallocated assets	--	--	--	--	--	--	--	--	--	--
<b>Total assets</b>										<b>157,226,540</b>
Liabilities:										
Unearned premium income	955,013	28,157,986	4,628,328	246,473	1,002,595	45,220,248	80,210,643	--	--	--
Outstanding claims	1,167,387	12,709,931	15,409,908	1,672,073	837,031	12,801,055	44,597,385	381,200	--	381,200
Reserve for life insurance operations	--	--	--	--	--	--	--	208,551	1,133,299	1,341,850
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--
<b>Total liabilities</b>										<b>157,226,540</b>

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 31. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2011

	General and Health Insurance						Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total
Gross written Premium	3,369,115	43,288,637	15,176,976	4,961,933	2,427,131	23,317,854	92,541,646	729,657	624,398	1,354,055
Reinsurance ceded	(1,899,377)	--	(13,337,409)	(3,995,308)	(2,063,292)	(5,843,342)	(27,138,728)	(364,541)	(27,548)	(392,089)
Excess of loss premiums	(87,200)	(940,384)	(256,908)	(196,200)	(80,960)	--	(1,561,652)	--	--	--
Net premium written	1,382,538	42,348,253	1,582,659	770,425	282,879	17,474,512	63,841,266	365,116	596,850	961,966
Changes in unearned premium	(175,644)	(6,871,599)	(186,704)	(6,467)	(52,784)	(2,955,251)	(10,248,449)	-	--	--
Net premium earned	1,206,894	35,476,654	1,395,955	763,958	230,095	14,519,261	53,592,817	365,116	596,850	961,966
Reinsurance commission income	707,703	--	3,977,925	1,574,710	816,255	2,767,018	9,843,611	--	--	--
Other Investment Income	--	--	--	--	--	--	--	--	13,595	13,595
Underwriting revenue	1,914,597	35,476,654	5,373,880	2,338,668	1,046,350	17,286,279	63,436,428	365,116	610,445	975,561
Gross claims paid	213,507	24,968,599	25,920,498	1,574,769	137,293	9,796,670	62,611,336	218,400	21,971	240,371
Reinsurance ceded	(167,386)	(91,777)	(22,953,633)	(1,259,915)	(113,119)	(7,053,516)	(31,639,346)	(174,720)	--	(174,720)
Net claims paid	46,121	24,876,822	2,966,865	314,854	24,174	2,743,154	30,971,990	43,680	21,971	65,651
Changes in outstanding claims net	(106,182)	5,144,674	(324,074)	8,887	76,737	1,344,325	6,144,367	(23,684)	(2,832,439)	(2,856,123)
Net claims incurred	(60,061)	30,021,496	2,642,791	323,741	100,911	4,087,479	37,116,357	19,996	(2,810,468)	(2,790,472)
Policy acquisition cost – net	438,821	5,666,602	2,032,032	835,962	352,932	1,548,657	10,875,006	91,420	27,978	119,398
Other underwriting expenses	92,635	247,793	466,079	24,810	81,910	2,212,870	3,126,097	3,648	3,122	6,770
Total claims and other expenses	471,395	35,935,891	5,140,902	1,184,513	535,753	7,849,006	51,117,460	115,064	(2,779,368)	(2,664,304)
Underwriting surplus/ (deficit)	1,443,202	(459,237)	232,978	1,154,155	510,597	9,437,273	12,318,968	250,052	3,389,813	3,639,865
General and administrative expenses	(668,706)	(8,591,976)	(3,012,342)	(984,850)	(481,739)	(4,685,114)	(18,424,727)	(362,488)	(310,199)	(672,687)
Net surplus/ (deficit) for the year	774,496	(9,051,213)	(2,779,364)	169,305	28,858	4,752,159	(6,105,759)	(112,436)	3,079,614	2,967,178



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE “WAFA INSURANCE”

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

Expressed in Saudi Arabian Riyals

### 31. SEGMENTAL INFORMATION (Continued)

As at 31 December 2011

	General and Health Insurance							Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total	
Assets:											
Reinsurance share of outstanding claims	710,058	143,440	6,829,408	1,447,310	1,896,675	3,550,604	14,577,495	266,080	--	266,080	14,843,575
Reinsurance share of unearned premium	655,176	--	4,950,748	534,583	1,330,670	5,569,535	13,040,712	--	--	--	13,040,712
Deferred policy acquisition cost	209,750	2,831,479	863,980	123,920	220,568	1,134,402	5,384,099	--	--	--	5,384,099
Unallocated assets	--	--	--	--	--	--	--	--	--	--	59,189,672
Total assets											
Liabilities:											
Unearned premium income	1,272,302	19,388,080	5,691,235	645,643	1,520,151	12,468,457	40,985,868	--	--	--	40,985,868
Outstanding claims	915,481	12,436,375	7,518,237	1,805,493	2,174,713	6,940,692	31,790,991	332,600	--	332,600	32,123,591
Reserve for life insurance operations	--	--	--	--	--	--	--	208,551	1,133,299	1,341,850	1,341,850
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--	18,006,749
Total liabilities											
											92,458,058

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 13 Rabi Al Thani 1434H corresponding to 23 February 2013.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

## INDEPENDENT AUDITORS' REPORT

To The Shareholders  
Saudi Indian Company for Cooperative Insurance  
(A Saudi Joint Stock Company)

### SCOPE OF AUDIT

We have audited the accompanying financial statements of Saudi Indian Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") which comprise the statement of financial position as at 31 December 2011, and the related statements of insurance operations, shareholders' operations, comprehensive results of shareholders' operations and statement of changes in shareholders' equity and insurance operations' and shareholders' cash flows for the year then ended and notes 1 to 33 which form an integral part of these financial statements.

### RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND AUDITORS

These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards (IFRSs), the provisions of Article 123 of the Regulations for Companies and the Company's Bye-laws and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### UNQUALIFIED OPINION

In our opinion the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs); and
- comply with the requirements of the Regulation for Companies and the Company's Bye-laws in so far as they affect the preparation and presentation of the financial statements.

### EMPHASIS OF MATTER

We draw attention to the fact that these financial statements are prepared in accordance with IFRSs and not in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Al Sabti & Bannaga RSM  
P. O. Box 9524  
Riyadh 11423  
Kingdom of Saudi Arabia



29 Rabi Ul Awwal 1433H  
21 February 2012

KPMG Al Fozan & Al Sadhan  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais  
Licence No. 371



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010	1 January 2010
			(Restated)	(Restated)
Insurance Operations' Assets				
Cash and cash equivalents	6	2,624,481	4,801,022	5,591,243
Receivable from policyholders, net	7	34,741,552	27,446,207	24,092,673
Reinsurers' share of outstanding claims	8	14,843,575	11,481,669	31,202,127
Reinsurers' share of unearned premium	9	13,040,712	9,370,570	10,816,013
Deferred policy acquisition costs		5,384,099	3,616,769	784,877
Prepaid expenses	10	789,757	689,292	456,828
Available for sale investments	11	2,423,078	2,423,078	2,423,078
Advances and other receivables	12	3,891,400	1,077,740	1,091,777
Property and equipment, net	13	586,339	1,066,211	1,385,354
Intangible assets, net	13	572,376	1,573,654	2,569,744
Due from shareholders' operations	19	13,560,689	9,056,775	17,299,914
<b>Total Insurance Operations' Assets</b>		<b>92,458,058</b>	<b>72,602,987</b>	<b>97,713,628</b>
Shareholders' Assets				
Cash and cash equivalents	6	47,316,960	37,554,746	24,519,469
Prepaid expenses		--	--	21,357
Advances and other receivables	12	--	53,033	276,939
Available for sale Investment	11	8,561,262	18,502,829	43,404,474
Statutory deposit - Sukuk	18	10,747,502	10,637,332	10,546,923
<b>Total Shareholders' Assets</b>		<b>66,625,724</b>	<b>66,747,940</b>	<b>78,769,162</b>
<b>Total Assets</b>		<b>159,083,782</b>	<b>139,350,927</b>	<b>176,482,790</b>

The accompanying notes 1 to 33 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010 (Restated)	1 January 2010 (Restated)
Insurance Operations' Liabilities				
Reinsurers' balances payable		5,372,334	9,855,984	12,449,249
Unearned premium income	9	40,985,868	27,067,277	25,108,643
Unearned commission income		2,756,430	2,263,940	1,706,736
Outstanding claims & reserves	8	32,123,591	22,550,797	49,129,451
Reserve for life insurance operations	14	1,341,850	4,264,493	3,044,613
Accrued expenses	15	1,392,181	2,608,672	1,514,741
Other liabilities	16	7,783,209	3,484,644	4,444,641
Employees' end of service benefits	17	702,595	507,180	315,554
<b>Total Insurance Operations' Liabilities</b>		<b>92,458,058</b>	<b>72,602,987</b>	<b>97,713,628</b>
Shareholders' Liabilities and Equity				
Shareholders' Liabilities				
Accrued zakat	20.2	1,100,000	1,084,313	1,099,368
Accrued expenses	15	193,500	2,351,499	1,203,500
Other liabilities	16	647,502	537,332	446,923
Due to insurance operations	19	13,560,689	9,056,775	17,299,914
Total Shareholders' Liabilities		15,501,691	13,029,919	20,049,705
Shareholders' Equity				
Share capital	21	100,000,000	100,000,000	100,000,000
Accumulated deficit		(49,160,248)	(46,784,808)	(41,685,017)
Unrealized gain on available for sale investments		284,281	502,829	404,474
Total Shareholders' Equity		51,124,033	53,718,021	58,719,457
<b>Total Shareholders' Liabilities and Equity</b>		<b>66,625,724</b>	<b>66,747,940</b>	<b>78,769,162</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>159,083,782</b>	<b>139,350,927</b>	<b>176,482,790</b>

The accompanying notes 1 to 33 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010 (Restated)
Gross premiums written		93,895,701	66,963,773
Reinsurance ceded		(27,530,817)	(25,185,623)
Excess of loss premiums ceded		(1,561,652)	(1,360,800)
Net premiums written		64,803,232	40,417,350
Changes in unearned premium		(10,248,449)	(3,404,077)
Net premium earned		54,554,783	37,013,273
Reinsurance commission		9,843,611	6,090,356
Other Investment Income		13,595	14,446
<b>Underwriting revenue</b>		<b>64,411,989</b>	<b>43,118,075</b>
Gross claims paid		62,851,707	40,478,408
Reinsurers' share		(31,814,066)	(21,522,471)
Net claims paid		31,037,641	18,955,937
Changes in outstanding claims & reserves	22	3,288,244	(7,367,178)
Net claims incurred		34,325,885	11,588,759
Policy acquisition costs		10,994,404	8,411,678
Other underwriting expenses	23	3,132,867	2,622,846
<b>Total claims and other expenses</b>		<b>48,453,156</b>	<b>22,623,283</b>
Underwriting surplus		15,958,833	20,494,792
General and administrative expenses	24	(19,097,414)	(23,244,167)
Net (deficit) for the year		(3,138,581)	(2,749,375)
Transferred to shareholders' operations		3,138,581	2,749,375
<b>Net results for the year</b>		<b>--</b>	<b>--</b>

The accompanying notes 1 to 33 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010
			(Restated)
Profit on sale of available for sale investments		276,979	--
Investment income		209,180	266,345
Reversal of Directors Remuneration	15	2,110,000	--
		<b>2,596,159</b>	<b>266,345</b>
General and administrative expenses	24	(565,553)	(1,516,761)
Net (deficit) transferred from insurance operations		(3,138,581)	(2,749,375)
Net (loss) for the year before Zakat & tax		(1,107,975)	(3,999,791)
Provision for Zakat	20.2	(1,267,465)	(1,100,000)
<b>Net (loss) for the year after Zakat and tax</b>		<b>(2,375,440)</b>	<b>(5,099,791)</b>
<b>Basic and diluted (loss) per share</b>	<b>25</b>	<b>(0.24)</b>	<b>(0.51)</b>

The accompanying notes 1 to 33 form part of these financial statements.

**SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE**

**(A Saudi Joint Stock Company)**

**STATEMENT OF COMPREHENSIVE RESULTS OF SHAREHOLDERS' OPERATIONS**

**For the year ended 31 December 2011**

**Expressed in Saudi Arabian Riyals**

	31 December 2011	31 December 2010
		(Restated)
(Loss) for the year after Zakat and tax	(2,375,440)	(5,099,791)
Changes in fair value of available for sale investments	58,431	98,355
<b>Total comprehensive (loss) for the year</b>	<b>(2,317,009)</b>	<b>(5,001,436)</b>

The accompanying notes 1 to 33 form part of these financial statements.



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

	Share capital	Accumulated deficit	Change in fair value of available for sale investments	Total shareholders' equity
Balance at 31 December 2010	100,000,000	(46,784,808)	502,829	53,718,021
Total comprehensive loss for the year after Zakat & tax	--	(2,375,440)	58,431	(2,317,009)
Profit realized on sale of available for sale investments	--	--	(276,979)	(276,979)
<b>Balance at 31 December 2011</b>	<b>100,000,000</b>	<b>(49,160,248)</b>	<b>284,281</b>	<b>51,124,033</b>
Balance at 31 December 2009 - as reported	100,000,000	(48,442,661)	404,474	51,961,813
Prior years' Adjustments – (Note 26)	--	6,757,644	--	6,757,644
<b>Balance at 1 January 2010 - as restated</b>	<b>100,000,000</b>	<b>(41,685,017)</b>	<b>404,474</b>	<b>58,719,457</b>
Total comprehensive loss for the year after Zakat & tax	--	(5,099,791)	98,355	(5,001,436)
<b>Balance at 31 December 2010 - as restated</b>	<b>100,000,000</b>	<b>(46,784,808)</b>	<b>502,829</b>	<b>53,718,021</b>

The accompanying notes 1 to 33 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010 (Restated)
OPERATING ACTIVITIES:			
Net result for the year		--	--
Adjustments for:			
Deficit transferred to Shareholders' operations		(3,138,581)	(2,749,375)
Employees' end of service benefits		195,415	191,626
Provision for doubtful debts	7	475,000	2,078,021
Amortization	13	1,098,139	1,068,966
Depreciation	13	683,558	599,550
		(686,469)	1,188,788
Changes in operating assets and liabilities:			
Receivable from policyholders, net		(7,770,345)	(5,431,555)
Reinsurers' share of outstanding claims		(3,361,906)	19,720,458
Reinsurers' share of unearned premium		(3,670,142)	1,445,443
Deferred policy acquisition costs		(1,767,330)	(2,804,553)
Prepaid expenses		(100,465)	(232,464)
Advances and other receivables		(2,813,660)	14,037
Reinsurers' balances payable		(4,483,650)	(2,593,265)
Unearned premium income		13,918,591	1,958,634
Unearned commission income		492,490	557,204
Outstanding claims & reserves		9,572,794	(26,605,993)
Reserve for life insurance operations	14	(2,922,643)	1,219,880
Accrued expenses		(1,216,491)	1,093,931
Other liabilities		4,298,565	(959,997)
Due from shareholders		(1,865,333)	(107,486)
<b>Net cash used in operating activities</b>		<b>(2,375,994)</b>	<b>(11,536,938)</b>
INVESTING ACTIVITIES:			
Purchase of property and equipment		(300,547)	(353,283)
<b>Net cash used in investing activities</b>		<b>(300,547)</b>	<b>(353,283)</b>
FINANCING ACTIVITIES:			
Amounts transferred from shareholders	19	500,000	11,100,000
Net cash from financing activities		500,000	11,100,000
<b>Decrease in cash and cash equivalents during the year</b>		<b>(2,176,541)</b>	<b>(790,221)</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>4,801,022</b>	<b>5,591,243</b>
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>2,624,481</b>	<b>4,801,022</b>

The accompanying notes 1 to 33 form part of these financial statements.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

	Notes	31 December 2011	31 December 2010 (Restated)
OPERATING ACTIVITIES:			
Net loss for the year before Zakat & tax		(1,107,975)	(3,999,791)
Adjustments for:			
Deficit transferred from Insurance operations		3,138,581	2,749,375
		2,030,606	(1,250,416)
Changes in operating assets and liabilities:			
Prepaid expenses		--	21,357
Advances and other receivables		53,033	223,906
Accrued expenses		(2,157,999)	1,147,999
Due to Insurance operations		1,865,333	107,486
Zakat Paid	20.2	(1,251,778)	(1,115,055)
Other liabilities		110,170	90,409
<b>Net cash from/(used in) operating activities</b>		<b>649,365</b>	<b>(774,314)</b>
INVESTING ACTIVITIES:			
Statutory deposit – Sukuk		(110,170)	(90,409)
Investments		9,723,019	25,000,000
<b>Net cash from investing activities</b>		<b>9,612,849</b>	<b>24,909,591</b>
FINANCING ACTIVITIES:			
Amounts transferred to insurance operations	19	(500,000)	(11,100,000)
<b>Net cash used in financing activities</b>		<b>(500,000)</b>	<b>(11,100,000)</b>
Increase in cash and cash equivalents during the year		9,762,214	13,035,277
Cash and cash equivalents, beginning of the year		37,554,746	24,519,469
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>47,316,960</b>	<b>37,554,746</b>
Non-cash supplemental information:			
<b>Net change in the fair value of available for sale investments</b>		<b>58,431</b>	<b>98,355</b>

The accompanying notes 1 to 33 form part of these financial statements.

# **SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE**

**(A Saudi Joint Stock Company)**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Indian Company for Cooperative Insurance (the "Company") is a Saudi joint stock company as sanctioned by the Royal Decree No. M60 dated 18 Ramadan 1427H corresponding to October 9, 2006 (date of inception). The Company is registered in Riyadh with the Ministry of Commerce and Industry under commercial registration No.1010236705 dated 24/7/1428H corresponding to August 7, 2007. The Company's registered office address is at 305 Akaria-2, P.O. Box 341413, Riyadh 11333, Kingdom of Saudi Arabia.

The principal activities of the Company are to transact the cooperative insurance operations and all related activities including reinsurance and agency activities under the law of Supervision of Cooperative Insurance Companies and its Articles of Association and other regulations promulgated in the Kingdom of Saudi Arabia. The Company is permitted to conduct its operations in the Kingdom of Saudi Arabia.

The Company has been granted the license (number TMN/14/20086) to practice all lines of insurance business on 6 Jumada II, 1429H corresponding to June 8, 2008 from Saudi Arabian Monetary Agency ("SAMA"). SAMA renewed the operational license for a further period of three years from 6 Jumada II, 1432 H corresponding to May 9, 2011. The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

### **2. BASIS OF PREPARATION**

These financial statements for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and not in accordance with the accounting principles generally accepted in Saudi Arabia.

These financial statements have been prepared on the historical cost basis except for revaluation of investments - available for sale, which is carried at fair value.

### **3. BASIS OF PRESENTATION**

As required by the Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. The previous year figures have been regrouped and/or rearranged to make them comparable with current year figures.

### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements have been presented in Saudi Arabian Riyals (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The accounting and risk management policies adopted in the preparation of financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2010, except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the financial statements of the Company:

Improvement to IFRSs 2010 (effective date 1 January 2011):

- IAS 1 - Presentation of Financial Statements
- IAS 24 - Related Party Disclosures (revised 2009)
- IAS 34 - Interim Financial Reporting
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 – Segmental reporting

**Prospective changes in the International Financial Reporting Framework** - The Company has chosen not to early adopt the amendments and revisions to the standards, which have been published and are mandatory for compliance for the company's accounting years beginning after January 1, 2012.

- IFRS 9 Financial Instruments – This standard is the first step in the process to replace IAS 39 “Financial instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. It applies for annual periods beginning on or after January 1, 2013 and early adoption is permitted.

Other than IFRS 9, the revised standards, amendments and interpretations are not likely to have any material impact on the Company's financial statements.

#### 5.1 Use of estimates in the preparation of financial statements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### a) Ultimate liability arising from claims made under insurance contracts

It is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### b) Impairment in available-for-sale equity

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

##### c) Impairment in insurance receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms.

#### 5.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and balances with banks including call and time deposits with less than three months maturity from the date of acquisition.

#### 5.3 Receivable from policyholders, net

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at gross fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

#### 5.4 Deferred policy acquisition costs

Brokerage commissions and other costs of acquiring insurance contracts that are primarily related to securing new contracts and renewing existing contracts are deferred and amortized on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

#### 5.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their expected useful lives which are summarized as follows:

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#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

	Years
Furniture and fixtures	10
Office equipment and other assets	4
Computer hardware and software	4
Motor vehicles	4

Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of the asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of insurance operations under other general and administrative expenses.

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the same. These costs are amortized on the basis of the software's expected useful life.

#### 5.6 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and, except for investments held at fair value through income statement (if any), includes acquisition charges associated with the investment.

Available for sale investments are subsequently measured at market value. Net unrealized gains or losses are shown as a separate component in shareholders' equity and as other comprehensive income in the related statements of shareholders' comprehensive income or insurance operations. Realized gains or losses on sale of these investments are reported in the related statements of shareholders' operations or insurance operations.

#### 5.7 Impairment of reinsurance and other financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts.

#### 5.8 Impairment of other non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

##### 5.9 Zakat and taxes

The Company's Saudi shareholders are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). An estimate of zakat arising therefrom is accrued and charged to the statement of shareholders' equity.

The Company's non-Saudi shareholders are subject to income tax in accordance with the regulations of DZIT as applicable in the Kingdom of Saudi Arabia. An estimate of income tax arising from is accrued and charged to the statement of shareholders' equity.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

##### 5.10 Other provisions and reserves

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events and it more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

##### 5.11 Legal reserve

In accordance with the Company's Articles of Association and in compliance with Article 70 (2g) of the Implementing Regulations for Cooperative Insurance of SAMA, the Company allocates 20% of the net income each year to the legal reserve until it has built up a reserve equal to the capital. Since the Company has incurred loss, no such provision for legal reserve has been made in current year.

##### 5.12 Recognition of premium and commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks proportionally over the period of coverage. Premiums are shown before deduction of commission. The portion of premium and commission that will be earned in the future is reported as unearned premium and commission, respectively, and is deferred on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.



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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Commission income from short-term deposits are recognized on a time proportion basis using the effective interest rate method.

##### 5.13 Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Income from investments is principally earned from Shariah Compliant Funds.

##### 5.14 Dividend income

Dividend income is recognized when the right to receive payment is established.

##### 5.15 Reinsurance

In the ordinary course of business, the Company cedes insurance premium and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operation's statement of financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance are estimated in a manner consistent with the claim liability associated with the insured parties.

##### 5.16 Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the date of statement of financial position together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. The IBNR is calculated based on the recommendation of an independent Actuary.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The outstanding claims are shown on a gross basis and the related share of reinsurance is shown separately.

##### 5.17 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision). Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### 5.18 Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

##### 5.19 De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

##### 5.20 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and shareholders' operations unless required or permitted by any accounting standard or interpretation.

##### 5.21 Operating leases

Payments made under operating leases, which were not significant for the years ended December 31, 2011 and 2010, are charged to the statements of insurance operations on a straight-line basis according to the terms of the rental contracts. There were no significant rental commitments at December 31, 2011.

##### 5.22 Foreign currency translation

The Company's books of account are maintained in Saudi Riyals which is also the functional currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the statement of financial position date. All differences are taken to the statements of insurance operations. Foreign exchange differences are not significant and have not been disclosed separately.

##### 5.23 Surplus from insurance operations

In accordance with the requirements of the implementing regulations issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' operations, while 10% of the net surplus is distributed to policyholders. However, in the case of loss, SAMA has directed the Company to transfer the whole amount to the statement of shareholders' operations.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

##### 5.24 Seasonality of operations

There are no seasonal changes that effect insurance operations.

##### 5.25 Segmental information

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purpose, the Company is organized into business units based on their products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company

##### 5.26 Reclassification

Comparative figures have been reclassified, where necessary, to conform to the current year's presentation.

#### 6. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Insurance Operations:		
Cash in hand	7,071	14,781
Balance in current account	2,617,410	4,786,241
<b>Total</b>	<b>2,624,481</b>	<b>4,801,022</b>
Shareholders:		
Cash in hand	378	378
Balance in current account	47,316,582	554,368
Balance in time deposits	--	37,000,000
	<b>47,316,960</b>	<b>37,554,746</b>

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 7. RECEIVABLE FROM POLICYHOLDERS, NET

	31 December 2011	31 December 2010
Gross receivables arising from insurance contracts:	44,304,370	36,534,025
Less: provision for doubtful debts	9,562,818	9,087,818
<b>Net receivables</b>	<b>34,741,552</b>	<b>27,446,207</b>

As at December 31, 2011, the ageing of receivable from policyholders is as follows:

	1- 90 Days	91- 180 days	181- 365 days	Over 365 days	Total
<b>2011</b>	<b>11,002,104</b>	<b>11,516,349</b>	<b>17,029,007</b>	<b>4,756,910</b>	<b>44,304,370</b>
<b>2010</b>	<b>8,633,987</b>	<b>7,866,302</b>	<b>14,234,857</b>	<b>5,798,879</b>	<b>36,534,025</b>

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of insurance operations.

Receivables comprise a large number of customers. The receivables are shown on gross basis without any allowance or rebates to customers. Due from policyholders includes an amount of Saudi Riyals 9.37 million (2010: Saudi Riyals 10.80 million) that is due from the broker United International Company Limited, through whom the business is booked for the policyholders. The receivables are from customers within the Kingdom of Saudi Arabia and are due only in Saudi Riyals.

### 8. OUTSTANDING CLAIMS & RESERVES

Outstanding claims & reserves are comprised of the following:

	31 December 2011	31 December 2010
Gross Insurance liabilities:		
Claims reported unsettled	18,334,187	11,906,329
Claims incurred but not reported (IBNR)	12,464,515	10,617,129
Premium Deficiency Reserve	1,186,993	--
Catastrophe Reserve	100,000	--
Unexpired Risk Reserve	37,896	27,339
<b>Total</b>	<b>32,123,591</b>	<b>22,550,797</b>

Recoverable from reinsurers:		
Claims reported unsettled	9,910,164	7,284,600
Claims incurred but not reported	4,933,411	4,197,069
<b>Total</b>	<b>14,843,575</b>	<b>11,481,669</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**8. OUTSTANDING CLAIMS & RESERVES (Continued)**

	31 December 2011	31 December 2010
Net Insurance liabilities:		
Claims reported unsettled	8,424,023	4,621,729
Claims incurred but not reported	7,531,104	6,420,060
Premium Deficiency Reserve	1,186,993	--
Catastrophe Reserve	100,000	--
Unexpired Risk Reserve	37,896	27,339
<b>Total</b>	<b>17,280,016</b>	<b>11,069,128</b>

**8.1 CLAIMS DEVELOPMENT TABLE**

The following reflects the cumulative gross claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims triangulation analysis is by accident years spanning a number of financial years.

2011 Accident year	2009 & Earlier	2010	2011	Total
Estimate of ultimate claims cost:				
At the end of accident year	65,170,994	34,558,556	73,080,040	172,809,590
One year later	47,174,090	33,151,059	--	--
Two years later	47,534,596	--	--	--
Three years later	47,445,339	--	--	--
Current estimate of cumulative claims	47,445,339	33,151,059	73,080,040	153,676,438
Cumulative payments to date	(46,940,171)	(29,844,398)	(44,768,278)	(121,552,847)
Liability recognized in statement of financial position	505,168	3,306,661	28,311,762	32,123,591
<b>Total liability included in statement of financial position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>32,123,591</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**8.1) CLAIMS DEVELOPMENT TABLE (Continued)**

2010 Accident year	2008	2009	2010	Total
Estimate of ultimate claims cost:				
At the end of accident year	1,012,419	64,158,575	34,558,556	99,729,550
One year later	1,233,773	45,940,317	--	-
Two years later	753,065	--	--	-
Current estimate of cumulative claims	753,065	45,940,317	34,558,556	81,251,938
Cumulative payments to date	(219,503)	(44,473,816)	(14,007,822)	(58,701,141)
Liability recognized in statement of financial position	533,562	1,466,501	20,550,734	22,550,797
<b>Total liability included in statement of financial position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>22,550,797</b>

The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

**9. UNEARNED PREMIUM INCOME**

Unearned premium are comprised of the following:

	31 December 2011	31 December 2010
Gross unearned premium income	40,985,868	27,067,277
Reinsurers' share of unearned premium income	(13,040,712)	(9,370,570)
<b>Net unearned premium income</b>	<b>27,945,156</b>	<b>17,696,707</b>

**10. PREPAID EXPENSES**

Prepaid expenses are comprised of the following:

	31 December 2011	31 December 2010
Insurance Operations:		
Rent of office premises	547,607	462,075
Rent of residential premises	242,150	227,217
<b>Total</b>	<b>789,757</b>	<b>689,292</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 11. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are comprised of following:

	31 December 2011	31 December 2010
Insurance Operations:		
Unquoted securities		
Balance at 1 January and 31 December	1,923,078	1,923,078
Shariah Compliant Fund		
Balance at 1 January and 31 December	500,000	500,000
<b>Total</b>	<b>2,423,078</b>	<b>2,423,078</b>

	31 December 2011	31 December 2010
Shareholders' Operations:		
Shariah Compliant Fund		
Balance at 1 January and 31 December	18,502,829	18,404,474
(disposals) during the year	(9,999,998)	--
Change in fair value	58,431	98,355
<b>Balance at 31 December</b>	<b>8,561,262</b>	<b>18,502,829</b>

### 12. ADVANCES AND OTHER RECEIVABLES

Advances and other receivables are comprised of the following:

	31 December 2011	31 December 2010
Insurance Operations:		
Advance to Actuary	637,500	637,500
Rent deposits for offices and residential premises	51,302	76,302
Sundry deposits	1,045	1,045
Advances to employees	2,800	40,383
Advances to hospitals and workshops	293,436	253,000
Najm for Insurance Services	50,000	50,000
Profit commission receivable from reinsurer (Health)	2,767,018	--
Others	88,299	19,510
<b>Total</b>	<b>3,891,400</b>	<b>1,077,740</b>

	31 December 2011	31 December 2010
Shareholders' Operations:		
<b>Accrued profit on time deposits</b>	<b>--</b>	<b>53,033</b>

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(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 13. PROPERTY AND EQUIPMENT - NET

Property and equipment – net are comprised of following:

	31 December 2011	31 December 2010
Owned assets – tangible, net	586,339	1,066,211
Owned assets – intangible, net	572,376	1,573,654
<b>Total</b>	<b>1,158,715</b>	<b>2,639,865</b>

	Tangible assets					Intangible assets	
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2011	1,376,023	538,598	887,200	243,133	3,044,954	4,336,838	7,381,792
Additions	84,159	12,000	64,600	42,927	203,686	96,861	300,547
Disposals	--	--	--	--	--	--	--
<b>At 31 December 2011</b>	<b>1,460,182</b>	<b>550,598</b>	<b>951,800</b>	<b>286,060</b>	<b>3,248,640</b>	<b>4,433,699</b>	<b>7,682,339</b>
Accumulated depreciation:							
At 1 January 2011	889,305	328,470	611,600	149,368	1,978,743	2,763,184	4,741,927
Charge for the year	343,444	30,412	236,888	72,814	683,558	1,098,139	1,781,697
Disposals	--	--	--	--	--	--	--
<b>At 31 December 2011</b>	<b>1,232,749</b>	<b>358,882</b>	<b>848,488</b>	<b>222,182</b>	<b>2,662,301</b>	<b>3,861,323</b>	<b>6,523,624</b>
Net book value							
<b>31 December 2011</b>	<b>227,433</b>	<b>191,716</b>	<b>103,312</b>	<b>63,878</b>	<b>586,339</b>	<b>572,376</b>	<b>1,158,715</b>
Cost:							
At 1 January 2010	1,163,501	522,718	887,200	227,068	2,800,487	4,263,962	7,064,449
Additions	220,712	15,880	--	43,886	280,478	72,876	353,354
Disposals	(8,190)	--	--	(27,821)	(36,011)	--	(36,011)
<b>At 31 December 2010</b>	<b>1,376,023</b>	<b>538,598</b>	<b>887,200</b>	<b>243,133</b>	<b>3,044,954</b>	<b>4,336,838</b>	<b>7,381,792</b>
Accumulated depreciation:							
At 1 January 2010	603,326	289,657	389,800	132,350	1,415,133	1,694,218	3,109,351
Charge for the year	294,168	38,813	221,800	44,769	599,550	1,068,966	1,668,516
Disposals	(8,189)	--	--	(27,751)	(35,940)	--	(35,940)
<b>At 31 December 2010</b>	<b>889,305</b>	<b>328,470</b>	<b>611,600</b>	<b>149,368</b>	<b>1,978,743</b>	<b>2,763,184</b>	<b>4,741,927</b>
Net book value							
<b>31 December 2010</b>	<b>486,718</b>	<b>210,128</b>	<b>275,600</b>	<b>93,765</b>	<b>1,066,211</b>	<b>1,573,654</b>	<b>2,639,865</b>



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**14. MATHEMATICAL PROVISION FOR LIFE INSURANCE OPERATIONS**

The Company calculates a mathematical provision for its life insurance operations based on actuarial recommendation.

The movement in the mathematical provision during the year is as follows:

	31 December 2011	31 December 2010
Balance at 1 January 2011	4,264,493	3,044,613
(Released) provided during the year	(2,922,643)	1,219,880
<b>Balance at 31 December 2011</b>	<b>1,341,850</b>	<b>4,264,493</b>

The mathematical provision for life insurance contracts at December 31, 2011 were certified by an independent actuary, whose report states that the mathematical provisions are computed in a manner that conforms to the appropriate actuarial standards of practice and meet adequately the Company's liabilities arising from its entire life insurance business cycle.

**15. ACCRUED EXPENSES**

Insurance Operations:	31 December 2011	31 December 2010
		Restated
Professional fees	200,000	260,000
Actuary fees	87,500	157,500
Third party administration (TPA) / Council of Cooperative Health Insurance (CCHI) and SAMA fee	691,515	690,587
Other expenses	--	1,270,804
Withholding tax on reinsurance premium	413,166	229,781
<b>Total</b>	<b>1,392,181</b>	<b>2,608,672</b>

	31 December 2011	31 December 2010
Shareholders' Operations:		
Chairman and Directors' remuneration	--	2,110,000
Board sitting fees	126,000	186,000
Executive committee sitting fees	16,500	21,000
Audit committee sitting fees	51,000	34,499
<b>Total</b>	<b>193,500</b>	<b>2,351,499</b>

During the year, Board of Directors vides its resolution dated 21 February 2011, decided to waive the remuneration of the members of the Board for the year 2009 and 2010. No remuneration provision for Board members was made during the year and it was ratified by the Board on 21 February 2012 in its meeting.

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#### 16. OTHER LIABILITIES

	31 December 2011	31 December 2010
Insurance Operations:		
Withholding tax payable	24,921	4,408
Sundry creditors & Stale cheques	202,838	20,269
Salesmen Commission payable	1,771,217	--
Brokerage payable	5,710,616	3,458,861
Premium deposit for life insurance	15,666	664
Al Badr Clinic (Legal case)	56,960	--
Balance amount in the money received for Haj claims to The New India Assurance Co. Ltd	991	442
<b>Total</b>	<b>7,783,209</b>	<b>3,484,644</b>

	31 December 2011	31 December 2010
Shareholders' Operations:		
<b>Sundry creditors</b>	<b>647,502</b>	<b>537,332</b>

Sundry creditors in shareholders' operations represents the profit accrued on the statutory deposit and Sukuk (refer to Note 18).

#### 17. EMPLOYEES' END OF SERVICE BENEFITS

The movement in employees' end of service benefits during the year is as follows:

	31 December 2011	31 December 2010
Balance at 1 January 2011	507,180	315,554
Provision during the year	354,633	311,783
Payments during the year	(159,218)	(120,157)
<b>Balance at 31 December 2011</b>	<b>702,595</b>	<b>507,180</b>

#### 18. STATUTORY DEPOSIT-SUKUK

In accordance with Article 58 of the Implementing Regulations for Cooperative Insurance, the Company has deposited an amount of SR 10,100,000 with Riyadh Bank that has been invested in Sukuks. This deposit has an original maturity of 15 July 2027 with an early maturity option of 15 July 2012. Profit on the same is accrued on a quarterly basis; however, the Company is not allowed to withdraw any portion of the original deposit or the profit unless an approval is obtained from SAMA. Profit accrued is shown along with Statutory Deposit and the corresponding profit amount is shown as liability in other liabilities. (Note 16).

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#### 19. DUE FROM SHAREHOLDERS' OPERATIONS:

The movement in amount due from shareholders' operations is as follows:

	Notes	31 December 2011	31 December 2010 (Restated)
Balance at 31 December - as reported		14,581,542	24,057,558
Prior years' Adjustments	26	(5,524,767)	(6,757,644)
Balance, January 1 – as Restated		9,056,775	17,299,914
Balance transferred (to) / from Insurance operations		(500,000)	(11,100,000)
Amounts paid from insurance operations:			
Tadawul Fees		180,000	--
Zakat Payment		1,251,778	--
Directors travelling & Board Meeting Expenses		433,555	107,486
		<b>10,422,108</b>	<b>6,307,400</b>
Share of deficit from insurance operations		3,138,581	1,516,498
Prior years' Adjustments	26	--	1,232,877
<b>Balance at December 31</b>		<b>13,560,689</b>	<b>9,056,775</b>

#### 20. COMPONENTS OF ZAKAT BASE

In accordance with the regulations of the DZIT, the Company is subject to zakat. The Company has recorded a zakat charge in the amount of Saudi Riyals 1,267,465 during the year ended December 31, 2011 computed on a zakat base of Saudi Riyals 50,302,136 (2010: Saudi Riyals 46,085,265).

The Company has not, however, recorded any income tax provision since the Company recognized a net loss for the years ended December 31, 2011 and December 31, 2010.

##### 20.1 Zakat base summary is as follows:

	Note	31 December 2011	31 December 2010
Shareholders' equity at beginning of year		100,000,000	100,000,000
Accumulated deficit at beginning of year, as adjusted for non deductible items		(28,956,423)	(28,655,119)
Provisions		1,170,415	1,788,004
Net loss for the year, as adjusted for Non - deductible items		(577,467)	(301,304)
Investments		(1,923,078)	(1,923,078)
Property and equipment - net		(2,336,567)	(4,118,264)
Prior years' Adjustments	26	5,524,767	--
<b>Total</b>		<b>72,901,647</b>	<b>66,790,239</b>
Zakat base for Saudi shareholders at 69%		50,302,136	46,085,265
<b>Zakat at 2.5%</b>		<b>1,257,553</b>	<b>1,152,132</b>

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders.

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## 20. COMPONENTS OF ZAKAT BASE (Continued)

### 20.2 Provision For Zakat

	31 December 2011	31 December 2010
Balance at 1 January	1,084,313	1,099,368
Provision during the year	1,267,465	1,100,000
Payments during the year	(1,251,778)	(1,115,055)
<b>Balance at 31 December</b>	<b>1,100,000</b>	<b>1,084,313</b>

### 1.1.5 Zakat and tax assessment status

The Company has filed zakat and tax return with the Department of Zakat and Income Tax (DZIT) for the year 2010 but the final assessment has not been raised yet by the DZIT.

### 20.3 Tax

### 1.1.6 Temporary and permanent differences and other matters

Temporary and permanent differences principally comprise of adjustment for depreciation, provisions and other items under the income tax regulations. Deferred tax arising out of temporary differences was not significant and, accordingly, was not recorded as of December 31, 2011 and 2010.

Deferred tax asset arising out of carry forward losses is not recognized as the future recoverability of such tax benefit is uncertain at year-end.

## 21. SHARE CAPITAL

	31 December 2011	31 December 2010
Authorised:		
<b>10,000,000 shares of SR 10 each</b>	<b>100,000,000</b>	<b>100,000,000</b>
Allotted, issued and fully paid		
<b>10,000,000 shares of SR 10 each</b>	<b>100,000,000</b>	<b>100,000,000</b>

At 31 December 2011 and 2010, the share capital of the Company was held by the following shareholders:

	Percentage	No. of shares
The New India Assurance Co. Ltd.	10.60%	1,060,000
Life Insurance Corporation of India	10.20%	1,020,000
LIC (International) BSC	10.20%	1,020,000
Local majority shareholders	29.00%	2,900,000
General public	40.00%	4,000,000

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#### 22. CHANGES IN OUTSTANDING CLAIMS & RESERVES

	31 December 2011	31 December 2010
Changes in premium deficiency reserve	1,297,550	(1,701,523)
Changes in mathematical provision for life reserves	(2,922,643)	1,219,880
Changes in outstanding claims - net	4,913,337	(6,885,535)
	<b>3,288,244</b>	<b>(7,367,178)</b>

#### 23. OTHER UNDERWRITING EXPENSES

	31 December 2011	31 December 2010
CCHI fees at 1% of gross health premium	233,178	132,090
Third Party Administrator charges	1,399,071	792,537
Medical & motor cards	67,400	53,900
Withholding tax on reinsurance premium	963,739	1,157,448
SAMA fees at 0.5% of gross written premium	469,479	334,819
Penalties paid	--	49,015
Incentives & other expenses	--	103,037
	<b>3,132,867</b>	<b>2,622,846</b>

#### 24. GENERAL & ADMINISTRATIVE EXPENSES

Expenses for the year are comprised of the following:

	31 December 2011	31 December 2010
		(Restated)
Insurance Operations:		
General and administrative expenses		
Operating & administrative salaries & benefits	12,302,339	11,846,071
Advertisement and publicity	80,542	1,506,928
Rent	1,242,870	1,600,065
Depreciation	1,781,697	1,668,516
Professional fees	716,510	1,445,231
Shariah Board fees	165,000	221,673
Travel expenses	122,855	128,415
Car maintenance	90,049	35,235
Telephone charges	126,340	118,902
Postage, courier charges, Printing & Stationery	300,389	303,622
Bad and doubtful debts	475,000	2,078,021
IT Expenses	978,862	1,048,889
Other	714,961	1,242,599
<b>Total</b>	<b>19,097,414</b>	<b>23,244,167</b>

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 24. GENERAL & ADMINISTRATIVE EXPENSES (Continued)

	31 December 2011	31 December 2010
Shareholders' Operations:		
Sitting Fees to Board and committees/Directors remuneration	193,500	1,322,753
Subscriptions	180,000	180,000
Directors travelling & other expenses	192,053	14,008
<b>Total expenses</b>	<b>565,553</b>	<b>1,516,761</b>

#### 25. BASIC & DILUTED (LOSS) PER SHARE

	31 December 2011	31 December 2010
		(Restated)
Net loss for the year after Zakat	(2,375,440)	(5,099,791)
<b>Weighted average number of shares in issue throughout the year</b>	<b>10,000,000</b>	<b>10,000,000</b>
Basic & diluted (loss) per share	(0.24)	(0.51)

Basic earnings (loss) per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the date of statement of financial position. As of December 31, 2011 the Company has not issued any instruments which would have an impact on earnings (loss) per share when exercised.

#### 26. PRIOR YEARS' ADJUSTMENTS:

During the year the Company has identified a difference of SAR 6,757,644 in payables to reinsurers which are in excess of the balances confirmed by the reinsurers. These pertain to prior year and has been adjusted in the earliest prior period's balance sheet as at 1 January 2010. In addition, certain employee related expenses of SAR 1,232,877 were not recorded during the year ended 31 December 2010 and have been adjusted in prior period as at 31 December 2010. Therefore, opening balance of reinsurance payables, accruals and accumulated losses are restated in these financial statements.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 27. RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Nature of transaction	Notes	Amount of transactions (net)		Balance	
			31 December 2011	31 December 2010	31 December 2011	31 December 2010
			SARs	SARs	SARs	SARs
The New India Assurance Company Limited (Shareholder)	Other liability		549	432,387	991	442
Fawaz Al Hokair Group (Shareholder and its associated companies)	Premium for policies written		261,978	5,584,206	4,124,766	4,386,744
The New India Assurance Company Limited (Shareholder)	Reinsurance premium ceded		1,545,448	189,652	1,322,186	2,867,634
The New India Assurance Company Limited (Shareholder)	Reinsurance commission		556,389	705,046	484,226	1,040,615
The New India Assurance Company Limited (Shareholder)	Reinsurer's share of outstanding claims		1,790,363	1,420,015	2,233,465	443,102
Chairman and directors	Remuneration	15	--	1,040,000	--	2,110,000
Directors and executive Committee	Meeting attendance fee		47,999	107,999	193,500	241,499

The compensation paid to the key management personnel during the year ended 31 December 2011 amounted to SAR 3,422,635 (31 December 2010: SAR 3,663,430).

#### 28. INSURANCE RISKS

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 28. INSURANCE RISKS (Continued)

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

##### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the average loss ratio with all other assumptions held constant showing the impact on liabilities and net loss.

December 31, 2011	Change in assumptions	Impact on liabilities	Impact on net loss
Incurred claims	+5%	245,667	(245,667)
	-5%	(245,667)	245,667

December 31, 2010	Change in assumptions	Impact on liabilities	Impact on net loss
Incurred claims	+5%	344,277	(344,277)
	-5%	(344,277)	344,277

##### Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under proportional treaties such as quota share with surplus and non-proportional treaties such as excess of loss.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. As shown in Note 8, the Company has reduced its claims payable by the expected recoveries from reinsurance as at December 31, 2011 by Saudi Riyals 14.84 million (2010: Saudi Riyals 11.48 million)



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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the statement of financial position include financial assets, financial liabilities, reinsurance assets and insurance liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 29.1 Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law"). The Company's current paid up capital is in accordance with Article 3 of the Insurance Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In the Kingdom of Saudi Arabia solvency regulations and the minimum capital requirements are set and regulated by the Saudi Arabian Monetary Agency ("SAMA").

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	31 December 2011	31 December 2010
Total capital held	100,000,000	100,000,000
Minimum regulatory capital	100,000,000	100,000,000

### 29.2 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investee.

A 5% change in the prices of the quoted securities, with all other variables held constant, would impact shareholders equity by Saudi Riyals 428,063 (2010: Saudi Riyals 925,141). There would be no impact on the statement of insurance operations as all investments in securities are classified as 'available-for-sale'.

### 29.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Management believes that the currency risk is not material.

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 29.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

21% of the Company's receivables are due from one broker as at December 31, 2011 (2010: 30%).

Key areas where the Company is exposed to credit risk are:

- Re-insurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

Reinsurance is used to manage insurance risk. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

The credit risk on liquid funds is limited because most of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Ongoing credit evaluation is performed on the financial condition of the insurance receivables.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 29.4) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the financial position as at 31 December :

	2011	2010
		(Restated)
Insurance Operations' Assets		
Cash and cash equivalents	2,624,481	4,801,022
Receivables, net	34,741,552	27,446,207
Reinsurers' share of outstanding claims	14,843,575	11,481,669
Reinsurers' share of unearned premium	13,040,712	9,370,570
Investments	2,423,078	2,423,078
Advances and other receivables	3,891,400	1,077,740
Due from shareholders' operations	13,560,689	9,056,775
<b>Total</b>	<b>85,125,487</b>	<b>65,657,061</b>

	2011	2010
Shareholders' Assets		
Cash and cash equivalents	47,316,960	37,554,746
Investments	8,561,262	18,502,829
Advances and other receivables	--	53,033
Statutory deposit – Sukuk	10,747,502	10,637,332
<b>Total</b>	<b>66,625,724</b>	<b>66,747,940</b>

#### 29.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on regular basis that sufficient funds are available to meet any future commitments as well as obtaining continued financial support from shareholders (if needed). A significant amount of funds are invested in term deposits with local banks.

All term deposits held by the Company at the statement of financial position date have original maturity periods not exceeding three months.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining contractual obligations.

	31 December 2011			31 December 2010 (Restated)		
	Less than 1 year	No term	Total	Less than 1 year	No term	Total
Insurance Operations:						
Reinsurers' balance payable	5,372,334	--	5,372,334	9,855,984	--	9,855,984
Accrued expenses	1,392,181	--	1,392,181	2,608,672	--	2,608,672
Other liabilities	7,783,209	--	7,783,209	3,484,644	--	3,484,644
End of service benefits	--	702,595	702,595	--	507,180	507,180
	<b>14,547,724</b>	<b>702,595</b>	<b>15,250,319</b>	<b>15,949,300</b>	<b>507,180</b>	<b>16,456,480</b>
Shareholders Operations:						
Accrued expenses	193,500	--	193,500	2,351,499	--	2,351,499
Other liabilities	--	647,502	647,502	--	537,332	537,332
<b>Total</b>	<b>14,741,224</b>	<b>1,350,097</b>	<b>16,091,321</b>	<b>18,300,799</b>	<b>1,044,512</b>	<b>19,345,311</b>

#### 29.6 Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed interest rate instruments expose the Company to fair value commission risk.

The Company is exposed to commission rate risk on its term-deposits. Even though as on 31st December 2011, there are no term deposits held (as the same were encashed), but the Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its term-deposits are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders equity to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2011		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	SR 234,000
	- 50 basis points	SR (234,000)
31 December 2010		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	SR 185,000
	- 50 basis points	SR (185,000)

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 29.7 Geographical concentration of risk

All of the Company's insurance risks related to insurance policies are written in the Kingdom of Saudi Arabia.

### 29.8 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, receivable from policyholders, reinsurers' share of outstanding claims, advances and other receivables, investments and financial liabilities consisting of reinsurers' balance payable, outstanding claims, accrued expenses, other liabilities and employees' end of service benefits.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repacking):

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as of December 31, 2011 and December 31, 2010 and based on the fair value hierarchy:

31 December 2011	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	-	500,000	1,923,078	2,423,078
- Shareholders' operations	8,561,262	-	-	8,561,262
<b>Total</b>	<b>8,561,262</b>	<b>500,000</b>	<b>1,923,078</b>	<b>10,984,340</b>
31 December 2010	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	-	500,000	1,923,078	2,423,078
- Shareholders' operations	18,502,829	-	-	18,502,829
<b>Total</b>	<b>18,502,829</b>	<b>500,000</b>	<b>1,923,078</b>	<b>20,925,907</b>

## SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 30. CREDIT QUALITY OF INVESTMENTS

Investments	31 December 2011	Rating	31 December 2010	Rating
Insurance Operations:				
Available for sale				
Equity	1,923,078	Unrated	1,923,078	Unrated
Sharia Compliant Fund -				
Saudi Hollandi Bank	500,000	Unrated	500,000	A
	<b>2,423,078</b>		<b>2,423,078</b>	
Shareholders' Operations:				
Available for sale				
Sharia Compliant Fund -				
Riyad Capital	8,561,262	Unrated	18,502,829	A
Statutory deposit - Sukuk	10,747,502	A	10,637,332	A
	<b>19,308,764</b>		<b>29,140,161</b>	

The ratings have been obtained from the external rating agencies.

#### 31. CONTINGENCIES AND COMMITMENTS

The Company has no contingent liabilities and financial commitments as at December 31, 2011.

#### 32. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, receivables, prepaid expenses, investments, advances and other receivables, due from shareholders' operations and property and equipment. Accordingly, they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, unearned commission income, employees' end of service benefits, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under the related segments and are monitored on a centralized basis.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 32. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2011

	General and Health Insurance						Protection, Protection and Savings			Grand Total	
	Accident & Li-ability	Motor	Property	Marine	Engineer-ing	Health	Total	Protection	Protectio-nand Savings		Total
Gross written Premium	3,369,115	43,288,637	15,176,976	4,961,933	2,427,131	23,317,854	92,541,646	729,657	624,398	1,354,055	93,895,701
Reinsurance ceded	(1,899,377)	--	(13,337,409)	(3,995,308)	(2,063,292)	(5,843,342)	(27,138,728)	(364,541)	(27,548)	(392,089)	(27,530,817)
Excess of loss premiums	(87,200)	(940,384)	(256,908)	(196,200)	(80,960)	--	(1,561,652)	--	--	--	(1,561,652)
Net premium written	1,382,538	42,348,253	1,582,659	770,425	282,879	17,474,512	63,841,266	365,116	596,850	961,966	64,803,232
Changes in unearned premium	(175,644)	(6,871,599)	(186,704)	(6,467)	(52,784)	(2,955,251)	(10,248,449)	-	--	--	(10,248,449)
Net premium earned	1,206,894	35,476,654	1,395,955	763,958	230,095	14,519,261	53,592,817	365,116	596,850	961,966	54,554,783
Reinsurance commission income	707,703	--	3,977,925	1,574,710	816,255	2,767,018	9,843,611	--	--	--	9,843,611
Other Investment Income	--	--	--	--	--	--	--	--	13,595	13,595	13,595
Underwriting revenue	1,914,597	35,476,654	5,373,880	2,338,668	1,046,350	17,286,279	63,436,428	365,116	610,445	975,561	64,411,989
Gross claims paid	213,507	24,968,599	25,920,498	1,574,769	137,293	9,796,670	62,611,336	218,400	21,971	240,371	62,851,707
Reinsurance ceded	(167,386)	(91,777)	(22,953,633)	(1,259,915)	(113,119)	(7,053,516)	(31,639,346)	(174,720)	--	(174,720)	(31,814,066)
Net claims paid	46,121	24,876,822	2,966,865	314,854	24,174	2,743,154	30,971,990	43,680	21,971	65,651	31,037,641
Changes in outstanding claims net	(106,182)	5,144,674	(324,074)	8,887	76,737	1,344,325	6,144,367	(23,684)	(2,832,439)	(2,856,123)	3,288,244
Net claims incurred	(60,061)	30,021,496	2,642,791	323,741	100,911	4,087,479	37,116,357	19,996	(2,810,468)	(2,790,472)	34,325,885
Policy acquisition cost – net	438,821	5,666,602	2,032,032	835,962	352,932	1,548,657	10,875,006	91,420	27,978	119,398	10,994,404
Other underwriting expenses	92,635	247,793	466,079	24,810	81,910	2,212,870	3,126,097	3,648	3,122	6,770	3,132,867
Total claims and other expenses	471,395	35,935,891	5,140,902	1,184,513	535,753	7,849,006	51,117,460	115,064	(2,779,368)	(2,664,304)	48,453,156
Underwriting surplus/ (deficit)	1,443,202	(459,237)	232,978	1,154,155	510,597	9,437,273	12,318,968	250,052	3,389,813	3,639,865	15,958,833
General and administrative expenses	(668,706)	(8,591,976)	(3,012,342)	(984,850)	(481,739)	(4,685,114)	(18,424,727)	(362,488)	(310,199)	(672,687)	(19,097,414)
Net surplus/ (deficit) for the year	774,496	(9,051,213)	(2,779,364)	169,305	28,858	4,752,159	(6,105,759)	(112,436)	3,079,614	2,967,178	(3,138,581)

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

### 32. SEGMENTAL INFORMATION (Continued)

As at 31 December 2011

	General and Health Insurance							Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total	
Assets:											
Reinsurance share of outstanding claims	710,058	143,440	6,829,408	1,447,310	1,896,675	3,550,604	14,577,495	266,080	--	266,080	14,843,575
Reinsurance share of unearned premium	655,176	--	4,950,748	534,583	1,330,670	5,569,535	13,040,712	--	--	--	13,040,712
Deferred policy acquisition cost	209,750	2,831,479	863,980	123,920	220,568	1,134,402	5,384,099	--	--	--	5,384,099
Unallocated assets	--	--	--	--	--	--	--	--	--	--	59,189,672
Total assets											
Liabilities:											
Unearned premium income	1,272,302	19,388,080	5,691,235	645,643	1,520,151	12,468,457	40,985,868	--	--	--	40,985,868
Outstanding claims	915,481	12,436,375	7,518,237	1,805,493	2,174,713	6,940,692	31,790,991	332,600	--	332,600	32,123,591
Reserve for life insurance operations	--	--	--	--	--	--	--	208,551	1,133,299	1,341,850	1,341,850
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--	18,006,749
Total liabilities											



# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

### 32. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2010 - Restated

	General and Health Insurance						Protection, Protection and Savings			Grand Total	
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings		Total
Gross written Premium	2,563,347	28,994,922	14,297,213	4,280,973	2,200,534	13,208,953	65,545,942	80,306	1,337,525	1,417,831	66,963,773
Reinsurance ceded	(1,500,882)	--	(12,564,169)	(3,454,011)	(1,892,794)	(5,754,044)	(25,165,900)	--	(19,723)	(19,723)	(25,185,623)
Excess of loss premiums	(87,200)	(918,000)	(156,968)	(145,340)	(53,292)	--	(1,360,800)	--	--	--	(1,360,800)
Net premium written	975,265	28,076,922	1,576,076	681,622	254,448	7,454,909	39,019,242	80,306	1,317,802	1,398,108	40,417,350
Changes in unearned premium	(351,404)	(2,908,693)	(147,689)	(20,333)	3,437	20,605	(3,404,077)	--	--	--	(3,404,077)
Net premium earned	623,861	25,168,229	1,428,387	661,289	257,885	7,475,514	35,615,165	80,306	1,317,802	1,398,108	37,013,273
Reinsurance commission income	550,173	--	3,828,017	1,058,988	653,178	--	6,090,356	--	--	--	6,090,356
Other Investment Income	--	--	--	--	--	--	--	--	14,446	14,446	14,446
Underwriting revenue	1,174,034	25,168,229	5,256,404	1,720,277	911,063	7,475,514	41,705,521	80,306	1,332,248	1,412,554	43,118,075
Gross claims paid	214,377	11,005,624	16,939,228	1,176,818	104,761	11,037,600	40,478,408	--	--	--	40,478,408
Reinsurance ceded	(171,413)	(162,253)	(15,228,719)	(949,503)	(80,965)	(4,929,618)	(21,522,471)	--	--	--	(21,522,471)
Net claims paid	42,964	10,843,371	1,710,509	227,315	23,796	6,107,982	18,955,937	--	--	--	18,955,937
Changes in outstanding claims & Reserves net	182,071	1,692,928	(441,252)	102,530	85,078	(10,208,413)	(8,587,058)	(241,140)	1,461,020	1,219,880	(7,367,178)
Net claims incurred	225,035	12,536,299	1,269,257	329,845	108,874	(4,100,431)	10,368,879	(241,140)	1,461,020	1,219,880	11,588,759
Policy acquisition cost – net	324,712	4,480,831	1,860,919	712,411	346,120	553,760	8,278,753	3,297	129,628	132,925	8,411,678
Other underwriting expenses	63,279	716,535	352,940	24,802	54,322	1,368,334	2,580,212	7,800	34,834	42,634	2,622,846
Total claims and other expenses	613,026	17,733,665	3,483,116	1,067,058	509,316	(2,178,337)	21,227,844	(230,043)	1,625,482	1,395,439	22,623,283
Underwriting surplus/ (deficit)	561,008	7,434,564	1,773,288	653,219	401,747	9,653,851	20,477,677	310,349	(293,234)	17,115	20,494,792
General and administrative expenses	(881,373)	(9,969,511)	(4,915,902)	(1,471,955)	(756,623)	(4,541,719)	(22,537,083)	(40,049)	(667,035)	(707,084)	(23,244,167)
Net (deficit)/ surplus for the year	(320,365)	(2,534,947)	(3,142,614)	(818,736)	(354,876)	5,112,132	(2,059,406)	270,300	(960,269)	(689,969)	(2,749,375)

# SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

Expressed in Saudi Arabian Riyals

### 32. SEGMENTAL INFORMATION (Continued)

As at 31 December 2010 - Restated

	General and Health Insurance						Protection, Protection and Savings			Grand Total
	Accident & Liability	Motor	Property	Marine	Engineering	Health	Total	Protection	Protection and Savings	Total
Assets:										
Reinsurance share of outstanding claims	746,163	84,826	5,836,620	1,410,207	1,009,207	2,394,646	11,481,669	--	--	--
Reinsurance share of unearned premium	409,910	--	3,831,921	418,373	1,314,985	3,395,381	9,370,570	--	--	--
Deferred policy acquisition cost	96,659	2,054,671	605,935	101,225	170,099	588,180	3,616,769	--	--	--
Unallocated assets	--	--	--	--	--	--	--	--	--	--
Total assets72,602,987										
Liabilities:										
Unearned premium income	851,393	12,516,481	4,385,704	522,966	1,451,682	7,339,051	27,067,277	--	--	--
Outstanding claims	1,057,768	7,233,087	6,849,523	1,759,503	1,210,508	4,440,408	22,550,797	--	--	--
Reserve for life insurance operations	--	--	--	--	--	--	--	298,845	3,965,648	4,264,493
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--
Total Liabilities72,602,987										

### 33. PROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 29 Rabi Ul Awwal 1433H corresponding to 21 February 2012.

